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U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

APRIL 1, 1985 - SEPTEMBER 30, 1985

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

OCT 31 1985

MEMORANDUM

TO: The Secretary

FROM: Acting Inspector General

SUBJECT: Semiannual Report on Operations of the Office of Inspector General

Enclosed is the Semiannual Report on Operations of the Office of Inspector General for the period April 1, 1985 to September 30, 1985.

The report contains an overview of the activities of the Office of Inspector General with emphasis on our major accomplishments. As required by the Inspector General Act of 1978, the report summarizes significant problems and recommendations made during the six-month period and describes those open audit reports with outstanding recommendations.

Section 5 of the Act requires that the Secretary transmit this report to the appropriate committees or subcommittees of the Congress within 30 days after its receipt together with any comments you may wish to make.

Thomas T. Sheehan

cc: Under Secretary

Enclosure

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SEMIANNUAL REPORT ON OPERATIONS OF THE

OFFICE OF INSPECTOR GENERAL

APRIL 1, 1985 - SEPTEMBER 30, 1985

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I. INTRODUCTION AND SUMMARY

This is the fourteenth Semiannual Report issued by the Office of Inspector General (OIG), U.S. Department of the Interior (DOI), pursuant to the provisions of the Inspector General Act of 1978 (P.L. 95-452). During this six-month period, OIG continued to emphasize audits of oil and gas royalty payors, administration of programs by the Bureau of Indian Affairs (BIA) and tribal governments, and the revenue producing activities of the territorial governments. Among the major cases produced by OIG investigative efforts were the indictment and conviction of 12 contractors and top officials of the Guam Department of Education, including the former Director; 13 officers and employees of two sales corporations who were charged in a scheme to defraud customers in the Department's Simultaneous Oil and Gas Lottery; a BIA Loan Specialist and 5 co-conspirators in a loan embezzlement scheme; and 21 former NPS employees in a $60,000 fraud.

AUDIT ACTIVITIES

Total Reports Issued	339
Internal and Special Purpose Reports Issued	74
External Reports Issued	265
Indirect Cost Proposals Negotiated	137

IMPACT OF AUDIT ACTIVITIES

Total Dollar Impact	$118 million
Cost Efficiencies Identified	$45 million
Potential Recoveries	$59 million
Waste or Losses	$14 million
Internal Audit Recommendations Made	613
Internal Audit Recommendations Resolved	281

INVESTIGATIVE ACTIVITIES

Total Reports Issued	94
Cases Opened	141
Cases Closed	68
Cases Pending	351
Cases Referred for Prosecution	70

IMPACT OF INVESTIGATIVE ACTIVITIES

Indictments	61
Convictions	36
Administrative Actions	271
Judgements/Restitutions	$1.9 million

II. AUDIT ACTIVITIES

A. CONTINUING ACTIVITIES

1. ROYALTY MANAGEMENT PROGRAM

The OIG is continuing its audit effort in the royalty management program (RMP) with emphasis on audits of payments made by oil and gas lessees and the administration of the RMP.

Audits of Oil and Gas Royalty Payors. In fiscal year (FY) 81, OIG and the Minerals Management Service (MMS) began a program to audit the top 25 royalty payors and, in FY 33, the program was expanded to include the second 25 royalty payors. These 50 payors remit more than 90 percent of the estimated $4.5 billion in oil and gas royalties collected by the Federal government each year.

OIG was to audit 23 of the top 25 royalty payors and 11 of the second 25. As of September 30, 1985, we have issued 31 final reports on the 34 payors for which we were responsible, identifying potential additional royalties of $114.1 million. Four of the 31 reports were issued during the current six-month period that identified potential additional royalties of $11.1 million.

MMS is responsible for taking corrective action on the recommendations in all of the OIG royalty audit reports issued. In addition, MMS is currently auditing 2 of the top 25 royalty payors and 14 of the second 25 royalty payors. MMS has issued four reports and expects to report the results of its remaining audits at various times throughout FY 86.

In the summer of 1983, OIG began a series of special purpose audits of royalty payments, concentrating on gas processing plants and the effects of various payor practices on royalty payments. We completed this audit effort in June 1985. Reports issued this six-month period identified $11.2 million in potential additional royalties, bringing the total identified by these special purpose audits to approximately $19.6 million. MMS plans to continue this effort as its own staff resources become available.

Audits of the Royalty Management Program Administration. The Federal Oil and Gas Royalty Management Act of 1982 requires that OIG review the RMP biennially. To accomplish this task, OIG has an on-going audit effort at the MMS Accounting Center in Lakewood, Colorado. This center receives, accounts for, and distributes all Federal and some Indian royalty collections. This review consists of a series of functional audits to be conducted during each biennial period with a summary report to the Secretary and Congress. The first biennial period ended September 30, 1985; our summary report target date is January 31, 1986.

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2. TERRITORIAL GOVERNMENTS

OIG continued to emphasize audits of revenue producing activities and procurement practices. Most of the territorial governments operated in deficit conditions during the fiscal year. Audits of revenue producing and procurement functions should assist the territorial governments in identifying additional revenue sources and procurement savings.

Efforts to establish and/or improve the independent audit function with the territorial governments continued to progress. The Republic of Palau hired a public auditor and the American Samoa government passed legislation to make their audit office independent. OIG, through the assistance of other Inspectors General, conducted an operational auditing course in the U.S. Virgin Islands, an audit management course for the Pacific territorial auditors, and on-the-job training in American Samoa.

3. AUDIT FOLLOWUP

Resolving and tracking audit recommendations is a responsibility shared by the Inspector General and the Assistant Secretary for Policy, Budget and Administration (PBA). OIG is responsible for reaching agreement with department managers on how audit recommendations will be implemented. The Assistant Secretary for PBA is responsible for resolving disagreements between the OIG and department managers and for tracking the implementation of corrective actions. This process was installed during FY 84 to meet the requirements of Office of Management and Budget (OMB) Circular A-50.

Annually, OIG will devote audit effort to determine, on a selective basis, if actions proposed to resolve audit recommendations have actually been implemented.

4. CONTRACT AND GRANT ACTIVITY

Cost exceptions 1/ of $46.3 million were reported in 265 audits of contractors and grantees.

Summary of Cost Exceptions
(Dollars in Millions)

	Preawards	Contracts	Grants 2/	Total
Amount Audited	$118.0	$72.5	$286.0	$476.5
Amount of Exceptions 3/	$ 25.4	$15.8	$ 5.1	$ 46.3
Percentage	21.5%	21.8%	1.8%	9.7%

1/ Relate to external audit reports and are defined as follows for various types of reports:

Preaward audits. Questioned costs represent those items that OIG recommends the bureau not accept at negotiations. Unsupported costs represent those items for which supporting documentation is lacking at the time of audit.

Contract audits. Disallowed costs are those items that OIG is advising the contracting officer that he cannot pay in accordance with regulations. Questioned costs are those items that OIG indicates are subject to the contracting officer's administrative determination or for which supporting documentation is lacking at the time of audit.

Grant audits. Recommended cost adjustments are those items that OIG is advising the cognizant agency official that he should not pay. Unsupported costs are those items for which supporting documentation is lacking at the time of audit.

2/ Includes single audits.

3/ Federal share.

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Information received to date shows that contracting and other officials have sustained cost exceptions of $2.1 million during the six-month period. Because of the time required for reviews, negotiations, and decisions by management, $2 million of these sustained costs were applicable to audits performed prior to April 1, 1985. Accordingly, additional savings from disallowed and questioned costs in FY 85 will be realized and reported in subsequent semiannual reports.

OIG's review and negotiation of indirect cost rates with state agencies and Indian organizations has resulted in cost avoidance of $5.4 million during the six-month period. We reviewed indirect cost proposals of 73 state organizations, and reduced the proposals by $2.6 million. Reviews of the indirect cost proposals of 64 Indian organizations resulted in reducing the proposals by $2.8 million.

5. SINGLE AUDIT ACTIVITY

The single audit activity continues to increase OIG's workload since passage of the Single Audit Act of 1984 (Act) and issuance of OMB Circular A-128, which supercedes OMB Circular A-102, Attachment P. The Act requires single audits of all entities that receive $100,000 or more ($25,000 in some situations) to have an organizationwide financial and compliance audit of all Federal assistance received. Single audit activity is as follows:

	Number of Cognizant Organizations	Audits in Process	Reports Issued		
			This Period	Prior Periods	Total
Indian and Alaskan Native Governments	299	99	40	112	152
State and Local Governments	112 1/	41	27	139	166
Collateral 2/	N/A	N/A	94	256	350
Total	411	140	161	507	668

1/ Includes 51 organizations in states that have been assigned to other Federal agencies as lead agency for the entire state.

2/ Reports issued to Interior bureaus and offices that were received from and prepared under the cognizance of other Federal agencies.

The single audit reports issued during the period included disallowed and questioned costs as follows:

	(Dollars in Millions)		
	Indian	State	Total
Amount Audited	$46.7	$231.2	$277.9
Amount Disallowed and Questioned	$ 0.2	$ 3.7	$ 3.9
Percentage	.4%	1.6%	1.4%

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B. SUMMARY OF SIGNIFICANT PROBLEMS NOTED AND RECOMMENDATIONS MADE DURING THE SIX-MONTH PERIOD APRIL 1, 1985 - SEPTEMBER 30, 1985

1. MINERALS MANAGEMENT SERVICE

Review of ADP Security Program at the Minerals Management Service, E-EM-MMS-08-84, April 23, 1985

OIG performed an audit to evaluate MMS's progress in implementing and complying with automated data processing (ADP) security requirements contained in Federal directives and policies and the Departmental Manual. Information processed in MMS data systems is among the most sensitive handled by the Department.

Findings:

- Permanent ADP security regulations and requirements had not been established, and there was insufficient awareness of ADP security.
- No security officer had been designated for one ADP installation; four of five others were not trained for the position; the bureau ADP security officer was reporting at too low a level in the organization; and none of the security officers had approved position descriptions.
- None of the ADP installations had completed appropriate continuity of operations plans, and only one had conducted a risk analysis.
- MMS had no inventory of sensitive or proprietary ADP applications.
- Other areas needing improvement included: proper screening of personnel having access to sensitive data; internal ADP review procedures; separation of ADP functions at the Vienna, Virginia, installation; physical security at the Herndon, Virginia, installation; and property control at both Herndon and Vienna.

Status: MMS's response to the final report proposed corrective actions to resolve 20 of the 22 recommendations contained in the report. These 20 have been referred to PBA to track implementation. Additional information has been requested from MMS on the two unresolved recommendations.

* * * * *

Review of Windfall Profit Tax Assessments Against State Royalty Interests for Station 21, From January 1, through November 30, 1983, C-LM-MMS-08-85(f), September 26, 1985

The Crude Oil Windfall Profit Tax (WPT) of 1980 imposes a Federal excise tax on substantial portions of domestic crude produced since March 1980. State and Indian owned oil is exempt but Federally-owned oil is not. Existing legislation, as interpreted by the Solicitor's Office, provides for payment of the states' share (50 percent to all states except Alaska, which receives 90 percent) after the tax has been deducted. The audit, a cooperative effort led by the OIG and involving the Colorado and Wyoming state audit organizations, examined the accuracy of the tax deducted from the amounts disbursed to the states.

Findings:

The audit identified a net underwithholding of WPT on Federal onshore public land royalties in the amount of $3,828,398 for the period January 1 through November 30, 1983, as follows:

State	Total Under (Over) Withholding	State Share @ 50%
Colorado	$1,553,277	$ 776,639
Montana	546,804	273,402
Nebraska	(5,334)	(2,667)
North Dakota	(477,295)	(238,647)
South Dakota	(24,867)	(12,434)
Utah	159,621	79,810
Wyoming	2,076,192	$1,038,096
Total	$3,828,398	$1,914,199

The draft report recommended that MMS take the actions necessary to recover the net underwithholding of WPT in the amount of $1,914,199 from subsequent state royalty distributions.

Status: MMS recovered the underwithholding against the August 1985 royalty disbursements made to the states.

* * * * *

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Review of Royalties Paid on Natural Gas Liquid Products Removed from Federal Leases

- Yscloskey Gas Processing Plant - Period of Department of Energy Control Prices, C-EM-MMS-25-83(D), June 14, 1985
- Yscloskey Gas Processing Plant, C-EM-MMS-25-83, June 26, 1985
- North Terrebonne Gas Processing Plant, C-EM-MMS-12-84(D), June 26, 1985

These are the final reports in a series of audits of gas plants that process natural gas produced from Federal leases.

Findings:

The audits identified $11.2 million in potential additional royalties due the Federal government for the period January 1977 through December 1983:

	(In Millions)
Undervalued Liquid Products	$ 8.5
Excessive Manufacturing Allowance	2.7
Total	$11.2

Status: To date, MMS has taken no actions to collect the additional royalties identified in these reports.

* * * * *

Audits of Federal and Indian Oil and Gas Royalties Paid

- Monsanto Oil Co., E-LA-TX-MMS-001-84, April 30, 1985
- Transco Exploration Co, E-LA-TX-MMS-002-84, April 30, 1985
- Atlantic Richfield Co., C-EM-MMS-36-83, August 26, 1985
- Cities Service, C-EM-MMS-35-83, September 19, 1985

These are part of a series of audits of the top 50 payors of Federal and Indian oil and gas royalties. OIG and MMS have responsibility to audit 34 and 16 of the top 50 payors, respectively.

Findings:

In these four reports, OIG identified potential additional royalties of $11.1 million:

	Millions
. Take-or-Pay Payments - Lessees failed to pay royalties on the proceeds collected under the take-or-pay provisions of various gas contracts.	$ 2.8
. Federal Energy Regulatory Commission (FERC) Orders 94, 94A & 94B - Lessees failed to pay royalties on the gathering allowances authorized under FERC Orders 94, 94A & 94B.	.9
. Incorrect Pricing of Gas, Oil, and Natural Gas Liquid Products	6.4
. Excessive Manufacturing Allowance - Lessees deducted an unauthorized manufacturing allowance from the value of certain processed natural gas liquid products.	1.0
Total	$11.1

Status: MMS concurs in principle with the findings and recommendations and will pursue appropriate collection action upon review of the workpapers. Collection of the amount related to FERC Order 94 is delayed until MMS evaluates the impact on royalties of the August 19, 1985 District Court decision relative to FERC Orders 94, 94A & 94B.

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2. BUREAU OF LAND MANAGEMENT

Review of Audit Report Prepared by Peat, Marwick, Mitchell and Company on Chevron's Investment in Cancelled Northern Cheyenne Coal Permit, C-57-P-42, W-LM-BLM-17-85, April 8, 1985

OIG reviewed the work performed by Peat, Marwick, Mitchell and Company (PMMCo.) involving the verification of the investment of $5.2 million and interest claimed by Chevron under the December 23, 1981 cancellation agreement.

Findings:

- OIG questioned $3.5 million of claimed investment costs. The $3.5 million was omitted from the cancellation agreement signed by the Bureau of Land Management (BLM) and, therefore, OIC questioned whether the costs could be properly classified as either exploration or bonus costs as Chevron asserts.

Status: BLM concluded that the $3.5 million was a payment under a separate agreement between Chevron and the Northern Cheyenne Tribe and that Chevron was obligated to make the payment upon execution of the cancellation agreement. Chevron's investment will be adjusted accordingly.

3. OFFICE OF SURFACE MINING

Audit of Office of Surface Mining Reclamation and Enforcement - Administration and Enforcement Grants to the State of New Mexico, C-GR-NM-OSM-009-85, September 26, 1985

The purpose of this audit was to determine if the State of New Mexico (State) had used Administration and Enforcement (A&E) grant funds for conducting activities on Indian lands. The cooperative agreement between the State and the DOI specifically excluded Indian lands from regulatory action by the State. Any state expenditure of A&E grant funds for this purpose is a misuse of Federal funds.

Findings:

OIG determined that for five grant periods between January 1, 1981 and June 30, 1985, that the State used $200,029 and $319,605 of Federal funds for mine inspections and permitting activities, respectively, on Indian lands.

Status: OIG recommended that the Director, Office of Surface Mining Reclamation and Enforcement (OSM), recover from the State of New Mexico the disallowed costs of $519,634.

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4. NATIONAL PARK SERVICE

Review of Selected Administrative Activities Within the Western Region, National Park Service, W-FW-NPS-09-84, May 2, 1985

The Western Region of the National Park Service (NPS) provides administrative oversight and support to 45 field areas which include national parks, monuments, recreation areas, seashores, and other areas. During FY 83, the Western Region's allotment for operations was approximately $82 million. During the same period, the region was authorized 2,474 full-time equivalent positions, consisting of 2,325 for the field areas and 149 for the region.

Findings:

- NPS was leasing space to 76 commercial tenants in a building (the Haslett Warehouse in San Francisco, California) that has significant fire and structural hazards. These safety deficiencies were known by NPS prior to acquiring the building from the State of California on February 28, 1977. Although actions to either vacate the building or improve its safety features were recommended by a departmental field solicitor, such actions had not been taken. This lack of action, according to the field solicitor, could result in liabilities to the Government for its failure to correct known hazardous and unsafe conditions.

- Utility rates for water, sewer, electric, and other services provided by NPS, were based on historical operating costs which had not been adjusted for inflation. By failing to consider known and anticipated cost increases at the time the rates are established, the Government incurs additional interest costs because of delays in receiving reimbursements for services provided.

- A significant increase in yearend spending had adversely affected the processing of payment documents and was a major contributing factor to the $24,096 of lost discounts and interest incurred on late payments made during the fourth quarter of FY 83 and the first four months of FY 84. Within the procurement area, OIG also determined that $314,715 of unliquidated obligations should either be liquidated because of prior payments or questioned because of long-term nonperformance by the vendors.

- There were inadequate controls to protect the Government's investment in personal property with a recorded cost of $25 million. For example, property records were not reconciled to accounting records;

there was no assurance that all field areas and offices were performing annual physical inventories; property was often not physically identified or marked as belonging to NPS or the Federal government; changes to the property records were not being processed in a timely manner; and reports of survey were not being prepared or submitted in accordance with regulations.

Status: NPS took immediate action to implement eight of the nine recommendations, in accordance with the NPS action plan. NPS did not agree with the remaining recommendation, which was to perform an independent study of the structural aspects of the Haslett Warehouse prior to March 1989, in order to determine if the building should continue to be occupied by the tenants. OIG has referred this recommendation to PBA for resolution.

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5. BUREAU OF INDIAN AFFAIRS

Follow-up Review of Selected Realty Operations, Fort Berthold Agency, Bureau of Indian Affairs, C-IA-BIA-48-84(a), September 27, 1985

The purpose of this review was to determine if the recommendations presented in our initial report on selected realty operations at the Fort Berthold Agency (report number C-IA-BIA-36-83, dated June 27, 1984) had been implemented. The BIA response to the initial report indicated corrective action would be completed by October 1984.

Findings:

- Prior audit recommendations had not been implemented. This has contributed to a deterioration of the agency's lease administration, grazing fee distributions, and grazing permit renewals.

- Over 11,000 acres in unleased lands had not been offered for lease for the 1984 and 1985 farming/pasturing seasons. As a result, Indian landowners and the Three Affiliated Tribes lost an estimated $318,000 in lease rents.

- Expired leases had not been reissued in a timely manner. As of April 1985, 43 lease applications with annual rents of $60,673 were still pending (the farming/pasturing season began on January 1), and 49 grazing permits that expired in October 1984 had not been reissued.

- Reservation lands had not been inventoried to identify lands that should be offered for lease.

- Grazing fees totaling $497,000 had not been distributed to landowners.

- Oil and gas and seismic special deposit (temporary) accounts with balances of $226,147 had not been researched and distributed.

Status: Fourteen recommendations were made to improve realty operations, one of which was to replace the agency superintendent. A reply was requested by August 5, 1985 to a draft version of this report. BIA's response was not received until after the final report was processed and is now under review.

* * * * *

Summary of Reports on Individual Indian Money (IIM) Accounts Administered by the Bureau of Indian Affairs

Three individual reports were issued that covered the administration of IIM accounts at the following BIA agency offices:

- Concho Agency, C-IA-BIA-22-84(b), July 17, 1985
- Pawnee Agency, C-IA-BIA-23-84(b), July 30, 1985
- Osage Agency, C-IA-BIA-22-84(a), September 12, 1985

These agencies maintain about 13,000 accounts and disbursed $66 million of Indian monies during FY 83.

Findings:

Major problems identified were:

- Supervised accounts for minors and adults were not adequately monitored. In numerous instances, so little documentation was available that it was impossible to determine whether disbursements were justified or beneficial to recipients. Where documentation was available, instances were noted where funds were disbursed for purposes of questionable merit. For example, from the account of an individual who is mentally and physically incapacitated, about $81,000 was utilized by a guardian to purchase 10 vehicles for the individual during a 3 1/2-year period.

- Interest calculations were not performed accurately or timely on IIM and special deposit (temporary) accounts. IIM account holders at Concho lost an estimated $96,000 of interest because of late postings, and interest was not calculated and posted to special deposit accounts (OIG estimates $148,000 was earned).

- Special deposit accounts were not adequately controlled and funds were being improperly retained for long periods of time. About $700,000 was identified that should have been distributed to IIM account holders, refunded to depositors or transferred to the U.S. Treasury.

- An inordinate number of accounts were improperly maintained for voluntary deposits. Voluntary deposits are prohibited by regulation and resources expended on the maintenance of these accounts could be more effectively used on required IIM accounts.

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The Osage Agency was maintaining 36 accounts totaling $1.3 million that were classified as either tribal or miscellaneous; 17 of these accounts could be easily handled by local banks.

- Not enough effort was being taken to locate account holders whose whereabouts have been classified as unknown (1,571 accounts with balances of about $490,000). At Concho, OIG was able to determine the location of 10 account holders with balances over $92,000 (7 of the 10 had current addresses at another agency).

- Internal control weaknesses noted included the failure to properly segregate key duties and responsibilities; provide receipts for over-the-counter collections; take inventories of blank Treasury checks; and provide adequate security for sensitive documents and equipment. At Osage, these weaknesses resulted in the embezzlement of funds.

Status: The three reports contained 81 recommendations to resolve the reported deficiencies. The responses from BIA were considered excellent and all recommendations were resolved. As a result of conditions noted during these and other reviews, an overall report on IIM accounting will be issued by the end of the next reporting period that addresses system-wide problems.

* * * * *

Summary of Reports on Procurement Activities at Bureau of Indian Affairs' Field Locations

Four individual reports were issued that covered procurement activities at the following BIA offices:

- Juneau Area Office, W-IA-BIA-28-84, May 21, 1985
- Washington, D.C. Contracting and Grant Administration Office, E-IA-BIA-26-84, June 18, 1985
- Portland Area Office, W-IA-BIA-29-84, July 18, 1985
- Anadarko Area Office, C-IA-BIA-33-84, September 17, 1985

Findings:

Major findings are summarized below:

- Procurement regulations were not followed in the award of negotiated sole-source contracts. That is, competition was not sought, cost or price analyses

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were not performed, sole-source justifications were inadequate or not prepared, and sole-source contracts were not reviewed by the Acquisition Review Committee.

- Public Law 93-638, Indian Self-Determination and Education Assistance Act, contracts were not adequately monitored. Contract financial status reports had not been obtained, invoices had not been posted and outstanding advance payments and letter-of-credit drawdowns had not been controlled. At Portland, about 3,000 expenditure reports were not recorded and over $14.5 million in outstanding advances were noted that relate to obligation authorities that expired at least two years ago. The accurate status of $72 million in outstanding advances was not known.

- Established debts were not aggressively pursued. At Juneau, $450,000 of $1.1 million due had been outstanding for over three years. At Portland, 53 bills for collection for $259,000 were not recorded as accounts receivables. Also, over $1 million in audit-related bills for collection were canceled pending contracting officers' decisions, and no subsequent actions had been taken to reestablish these amounts as debts.

- Buy Indian contracts were awarded to ineligible firms. Little effort was taken to determine if prospective contractors were actually Indian owned and controlled. At Anadarko, seven contracts for $265,598 were awarded to two contractors that were not qualified Buy Indian Firms. Two of these contracts were awarded to the University of Oklahoma's American Indian Institute.

Status: BIA generally agreed with the 53 recommendations presented in the four audit reports. However, actual implementation of agreed upon actions remains to be accomplished on many issues.

* * * * *

Conservation of Crow Indian Lands, C-IA-BIA-47-84(b), September 27, 1985

This report discusses environmental concerns related to plow-out of Crow Indian lands. Plow-out is defined as the conversion of fragile, native grazing lands to farm lands. Many agronomists and soil scientists believe that plow-out amounts to speculation on short term benefits (increased revenues from leasing land for farming); however, if accomplished on unsuitable lands, it can result in a variety of adverse impacts (destruction of wildlife habitat, on-site erosion, loss of soil, reduced capability for grazing, off-site erosion, and poor air and water quality).

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Lands subject to plow-out are leased via agreements called office leases or competent leases. Office leases are used when more than five individuals own an individual interest in a tract of trust land and are subject to Crow Agency supervision. Competent leases, as provided for by amendments to the Crow Allotment Act, grant individual Indian land owners the authority to lease land without BIA supervision as long as five or fewer persons own the tract.

Findings:

- BIA, as trustee, has not monitored or controlled the plowing of reservation grasslands to ensure that these lands were suitable for long-term wheat production and that conservation practices were adequate to protect lands from erosion and salinity problems. As much as 200,000 acres of reservation grassland have been plowed up by lessees and farmed for wheat production. Soil Conservation Service standards and other experts' opinions endorse only about 28 percent of the grassland plowing that OIG reviewed (27,000 acres) and disapprove 72 percent because, in their opinion, it will result in unacceptable wind and water erosion. Agency personnel have taken the position that since environmental responsibility was not mandated clearly by public law, BIA did not have this responsibility and, consequently, did not interfere with or attempt to manage competent leasing. Unfortunately, since competent leases (50 percent of all Crow lands) are contiguous to, and sometimes surrounded by, numerous office leases and vice versa, little or no attention was given to prudent management of the office leases relative to environmental problems.

Status: Ten recommendations were made stipulating that BIA not approve any new office leases for plow-outs until an environmental impact study (EIS) can be completed; assume authority for conservation of competent leased lands; require an EIS be performed on all Crow Reservation lands to determine whether plow-outs should be allowed; take action necessary to settle the question of BIA's responsibility and authority over competent leased lands; and resolve other related issues. A BIA response to a draft of this finding did not address any of the recommendations. Additional comments are due by December 2, 1985.

* * * * *

Review of the Bureau of Indian Affairs Special Higher Education Programs, W-IA-BIA-41-84, July 30, 1985

Special higher education programs provide financial assistance to Indians and Alaskan natives who are enrolled in graduate programs. This

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assistance totals about $2 million a year and is provided to program participants by two corporations operating under contracts awarded by BIA.

Findings:

- Reported rates of student completion of 73 percent for the graduate student program and 50 percent for the Indian law program were unsupported. In order to achieve the 73 percent rate, all students who left the program must be counted as graduates, and comparable data for the 50 percent rate indicates a completion rate of only 29 percent.

- About 85 percent of the current participants in the graduate student program were pursuing courses of study other than the encouraged critical fields of medicine, engineering, forestry, and business administration.

- Information provided to the Congress on the funding requirements of the graduate student program was inaccurate. The Congress was advised that about half the applicants could not be served. The actual situation was that all eligible applicants were provided financial assistance.

- Students may be receiving unwarranted financial assistance because student financial requirements have not been coordinated with school financial aid offices. Twelve students were identified that were provided over $74,000 of BIA funds for the 1983-84 school year, who did not disclose that they also received over $53,000 in aid from the U.S. Department of Education.

Status: Five of six recommendations directed at improving program administration were agreed to and have been resolved. Additional comments have been requested on the remaining unresolved recommendation that unwarranted dual scholarship funding be recovered.

* * * * *

Review of Selected Financial Management Operations Related to BIA Contracts and Grants Awarded to the Assiniboine and Sioux Tribes, Fort Peck Reservation, W-IA-BIA-15-84, September 27, 1985

The Fort Peck Reservation consists of 2.1 million acres located in northeastern Montana. There are about 8,200 enrolled Assiniboine and Sioux Indians, of which around 4,300 live on the reservation. For

FY 84, estimated Federal and state contracts and grants totaled $3.8 million. In addition, the tribe transferred $3.8 million of tribal trust funds to the general fund for FY 84 operations.

Findings:

- The tribe's financial management systems (including 19 sets of accounting records, 128 commercial bank accounts, and 18 IIM accounts) did not provide accurate, current and complete disclosure of the financial results of each Federal grant or contract. Problems existed in the control over receipt and deposit of cash, travel expenditures, procurement, property, personnel management, and payroll. As a result, the tribe was unable to determine the actual financial status of its general fund and most BIA contracts and grants, and had no assurance that all program funds and property were accounted for and that expenditures were within program limits. Of recorded expenditures of $1.4 million on 10 BIA contracts and grants, OIG disallowed $20,171 and questioned $388,436.

- Contrary to BIA's claim that improvements were made to the Housing Improvement Program (HIP), in response to recommendations in a 1983 OIG audit, deficiencies still existed in 1984. A valid inventory of housing needs was not established, recipients of assistance were not selected on the basis of need (selections were based on considerations such as family ties), and it was not possible to determine if expenditures were within HIP limitations.

Status: The tribe is working with a consultant to establish and maintain a centralized financial management system. Recommendations to BIA were to ensure that the tribe implements a centralized accounting system that meets all Federal requirements; and require the tribe to develop and implement adequate written policy and operating guidance, establish and utilize a housing needs inventory and selection criteria, and to reimburse the Federal government for disallowed costs. Comments are due from BIA by December 2, 1985.

* * * * *

Review of Administrative Systems and Selected BIA Contracts and Grants Operated by the Winnebago Tribe of Nebraska, C-IA-BIA-09-84, September 27, 1985

The Winnebago Reservation consists of about 120,000 acres located in northeast Nebraska. Approximately 1,200 tribal members live on the reservation. In FY 83, the tribe received $2.1 million from Federal, state and tribal sources.

Findings:

- Administrative system weaknesses noted included inadequate accounting control over receipts and expenditures; excessive letter-of-credit drawdowns; lack of financial statements; little competition solicited when purchasing goods and services; improper charging of building space costs to BIA funded programs; and the lack of an independent audit as required by OMB Circular A-128, Audits of State and Local Governments.

- The tribe's canning center, partially funded by BIA, lacked effective management. Accounting records on sales receipts, expenditures, and costs of goods sold were deficient. The quantity of canned goods that could have been sold was curtailed by inoperable equipment. Sales were limited to the reservation because the center was unable to obtain a health certificate. The center paid for meals for 2,160 people at tribal celebrations and gave away goods valued at $900. The center has an inventory of 50,000 jars (50 years worth at present canning rate), yet the program director stated that in order to have a profitable operation, cans should be used instead of jars.

- The tribe's performance under the BIA-funded credit program was inadequate in that virtually no attempt was made to collect over $81,000 in delinquent loans and related interest; notes with BIA were not paid; loan receipts were not invested or used for new loans; and credit accounting and financial records did not exist.

- Of $647,454 claimed by the tribe under BIA contracts and grants, $46,599 was classified as disallowed and $14,657 as questioned.

Status: OIG recommended that BIA provide technical assistance to the tribe, recover disallowed costs, and ensure that 26 recommendations made to improve tribal operations were implemented by the tribe. A response was not received from BIA or the tribe to a May 7 draft of this report; therefore, all recommendations are unresolved. Additional requests for comments have been made to cognizant officials.

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6. TERRITORIAL GOVERNMENTS

American Samoa

Audit of the American Samoa Government's Annual Financial Statements for Fiscal Year 1983, S-TG-AMS-07-84, September 30, 1985

Public Law 97-357 requires that American Samoa annually prepare a comprehensive annual financial report (CAFR). OIG conducted an audit to determine whether the CAFR accurately reflected the financial condition and results of operations for the fiscal year ended September 30, 1983.

Findings:

- The CAFR did not present fairly, in accordance with generally accepted accounting principles, the financial position or results of operations of the American Samoa government as of September 30, 1983. Accounts receivable were overstated by $17.5 million. Inventory reported at $3.3 million excluded some items and could not be verified. Several financial statements required by generally accepted accounting principles were omitted.

- Internal accounting controls in the areas of ledgers, cash, receivables, inventory, property and equipment, payables and accrued liabilites, procurement, and expenditures need strengthening.

Status: Specific recommendations were made to the Governor that would improve internal controls over financial activities and enhance the financial reporting. A response is due from the Governor to the recommendations by December 31, 1985.

Guam

Survey of Assessment and Collection Procedures, Real Property Tax Division, Department of Revenue and Taxation, Government of Guam, N-TG-GUA-16-84, September 18, 1985

A review was made to evaluate the effectiveness of the assessment and collection of real property taxes by the Department of Revenue and Taxation, Real Property Tax Division.

Findings:

- There were no viable procedures to collect or enforce collections of delinquent real property taxes; and, collection methods provided by law were impractical. For the period 1979 through 1983, uncollected delinquent taxes represented 29.7 percent of the $22.7 million assessed ($6.6 million).

- An estimated $3.5 million in real property taxes was lost between 1980 and 1983 due to the failure of the Director, Revenue and Taxation (the tax assessor) to appraise all real property every three years as required by law.

Status: Recommendations were made to improve procedures for the collection of property taxes and for the assessment of the real property. The Governor concurred with the recommendations and implemented actions to improve procedures for collection of property taxes. The Governor also submitted proposed legislation to amend the current tax laws of Guam.

* * * * *

Review of the Coordination of Guam and United States Individual Income Taxes, N-TG-GUA-23-83, September 16, 1985

A review was made to determine if Guam was receiving from the United States government all of the individual income taxes required by Section 30 of the Organic Act and Public Law 92-606. The review also considered whether the two governments were properly allocating to each other the income tax from income earned in each jurisdiction required by Section 7654 of the Internal Revenue Code.

Findings:

- Many Federal agencies have failed to follow the U.S. Department of Treasury (Treasury) regulations in filing the necessary reports. This failure has resulted in a substantial underpayment to Guam for the personal income withholding collected by Federal agencies from Federal employees stationed in Guam.

- Neither Guam nor the U.S. government are complying with Section 7654 of the Internal Revenue Code that requires the allocation of income taxes between the two governments based on where the income is earned. Subsequent to OIG review, $6.9 million that resulted from profits on the sale of a Guam oil refinery was transferred under Section 7654 from Treasury to Guam.

- Because some of the tax laws are not clear, income taxes collected from Guam military personnel and Federal annuitants were not being returned to Guam.

Status: Recommendations were made to Guam and to the Assistant Secretary, Territorial and International Affairs, to coordinate efforts between Guam and the Treasury to ensure proper filing of the necessary Treasury reports by Federal agencies; determine prior years underpayments of income taxes to Guam; and, study applicable Federal laws to determine if revisions are necessary and propose legislation to correct any misinterpretations.

* * * * *

Review of Procurement Activities, Public Utility Agency of Guam, E-TG-GUA-09-84, July 26, 1985

A review was made of the Public Utility Agency of Guam procurement activities. The review was made to determine if the current procurement procedures complied with Federal and local regulations and were adequate to prevent fraud, waste and abuse.

Findings:

- Although the agency had a procurement system that would have resulted in sound procurements, the agency was not complying with its own procurement regulations. As a result, procurements of about $5 million were made without competition and were, therefore, subject to waste and abuse.

- Cost or price analyses were not made on non-competitive procurements.

- Written justifications were not required for 58 emergency purchases totaling $834,000.

- Excessive amounts of goods were purchased. In one instance, the agency acquired fire hydrants which, considering past usage, would take 23 years to be used.

- A contractor was overpaid by $14,300.

Status: Recommendations were made for the Governor to revoke the procurement authority of the Public Utility Agency and to collect any overpayments made on a contract. The Governor agreed to review the potential overpayment situation, but disagreed with revoking the agency's procurement authority.

* * * * *

Virgin Islands

Lease to Water Island, U.S. Virgin Islands, V-TG-VIS-28-85, September 5, 1985

Previously owned by the Department of Defense, Water Island, the fourth largest U.S. Virgin Island, was transferred to the Department of the Interior in 1952. To develop the island into a resort area, a lease to expire in 1992 was subsequently executed to a private concern. OIG reviewed the Water Island lease to determine if the lease had been properly monitored by the Department of the Interior to ensure compliance by the lessee; the lease payments received were correct and supported; and the lease was adequate to protect the interests of the Federal government.

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Findings:

- Interests of the Federal government were not properly protected by terms and conditions established in the lease, and even though weaknesses in the lease have been known since 1952, corrective actions were not taken when opportunities arose.

- Annual reporting requirements were not satisfied on a timely basis, and rent payments were seldom made within suspense dates.

- Several instances of minor lease violations have occurred; however, actions were not taken by the Department of the Interior to notify lessees of each violation and give them an opportunity to comply. Therefore, default provisions of the lease may not be enforceable.

Status: Specific recommendations were made to the Assistant Secretary, Territorial and International Affairs, to improve administration over the lease, ensure future rents are verified on an annual basis, and determine if Water Island is to be retained or declared excess. A response is due from Territorial and International Affairs by November 5, 1985.

* * * * *

Audit of Billing and Collection Procedures for Potable Water, U.S. Virgin Islands, VIG-VIS-09-84, May 1, 1984.

An audit was made of the billing and collection procedures used for potable water.

Findings:

- An estimated $8 million in potential revenue was not realized in 1983 because approximately 50 percent of the potable water entering the distribution system could not be accounted for.

- Water usage was not always billed, damaged and unlocatable meters were not promptly corrected, and illegal connections and tampered meters were ignored by the meter readers. Consequently, water usage was underbilled.

- Accounts receivable of $9 million were worthless due to inaccurate account balances, which hampered the collection of delinquent accounts.

- Potential water revenue was lost due to lack of action taken on installation of water services on St.

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Croix. During an 18-month period ending June 1984, only 31 of the 478 open applications or about 6 percent were processed.

Status: There were 22 recommendations to improve water accountability. The Governor concurred with the recommendations and has proposed actions that will correct the deficiencies noted in the report.

* * * * *

Audit of the Employees' Retirement System, Government of the Virgin Islands, V-TG-V15-24-84, September 4, 1985

An audit was made to determine if the retirement system was being funded on an actuarial reserve basis; loans issued to members were adequately administered and controlled; system assets were invested to maximize income; retirement annuities were properly calculated and only paid to qualified members; and an adequate accounting system was maintained.

Findings:

- The retirement system is underfunded on a long term basis by $113 million and may not be able to guarantee the full payment of benefits in the future.
- Over $14 million in loans were not adequately administered and controlled to prevent lost revenue and minimize delinquent accounts.
- Interest on personal loans was not compounded, resulting in lost interest income estimated at $164,000 per year.
- Professional investment managers used to manage over $160 million in system assets were not properly monitored to ensure the timely correction of poor performance.
- Internal controls were not sufficient to detect and minimize errors in computing duty-connected disability annuities. This resulted in at least $77,000 in computational errors that were not detected.

Status: Nineteen administrative and five legislative recommendations were made to require proper funding of the retirement system; administering the loans to maximize income and reduce delinquent accounts; improving investment practices; and to eliminate the errors in computing annuities. The retirement system's board of trustees and the Governor initiated administrative action and proposed legislation that would resolve the deficiencies reported.

* * * * *

An Analysis of the Fiscal Year 1982 Comprehensive Annual Financial Report of the Government of the Virgin Islands, V-TG-VIS-18-84, July 12, 1985

OIG reviewed the FY 82 Comprehensive Annual Financial Report for reporting errors and the effect of such errors on the financial statements. OIG also reviewed the report's conformance with the reporting requirements of Public Law 97-357.

Findings:

- The General Fund had a FY 82 deficit estimated at $13.8 million instead of a $3 million surplus as reported by the Virgin Islands. Liabilities were understated by $16.8 million for income tax refunds expected to be paid on income tax withholdings.

- The General Fund incurred annual operating losses that increased from $7 million in FY 82 to $37 million in FY 84.

- For FY 85, the Government of the Virgin Islands estimated that the operating losses will be at $50 million. OIG estimates that this will cause the General Fund's unreserved fund balance to have a deficit of at least $70 million.

- The funding of these operating deficits has come from short-term and long-term borrowing. Repayment of the borrowings has come from Matching Fund revenues.

- In FY 86, the Matching Fund revenues, which are pledged for debt service payments, may be $4.8 million short of meeting the debt service requirements. Unless another source is found, the General Fund will be obligated to pay for this shortage.

- The Comprehensive Annual Financial Report met many of the reporting requirements of Public Law 97-357; however, some required financial statements were omitted and an improper method of accounting was used to prepare the financial statements.

Status: Five recommendations were made directing the Governor to take administrative actions to correct the problems identified in the report. The Governor was in general agreement with report findings and recommendations.

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C. FOLLOWUP

The Inspector General, the departmental audit followup official (PBA), and the bureaus have been working together to improve the timeliness of resolving audit reports. 1/ Nineteen of the internal and 104 of the external reports issued during this period were resolved.

A schedule of the number of unresolved audits by bureau and office that are over six-months old follows:

Unresolved Audit Reports Over Six-Months Old

	Total Reports	Internal Reports	External Reports	
Bureau	No.	No.	No.	Amt. Unresolved
MMS	-	-	-	$ --
BLM	-	-	-	--
OSM	5	1	4	41,991
BOR	2	1	1	171,195
BOM	2	-	2	886,665
GSV	6	-	6	2,118,996
FWS	7	1	6	441,131
NPS	1	1	-	--
BIA	33	12	21	1,420,087
OSS	--	--	--	--
MOI	1	1	--	--
TIA	14	13	1	66,147
Total	71	30	41	$5,146,212

1/ OMB Circular A-50, Audit Followup, dated September 29, 1982, defines resolution as the point at which the audit organization and auditee agree on action to be taken and an appropriate action plan is provided to the audit organization.

D. SIGNIFICANT UNRESOLVED RECOMMENDATIONS MADE PRIOR TO APRIL 1, 1985

1. BUREAU OF RECLAMATION

Review of Municipal and Industrial Water Activities, Central Valley Project, W-LW-LBR-1-78; September 25, 1979

Recommendations: Establish a water policy that provides for fair and equitable treatment of municipal and industrial water users and provides for the recovery of past deficits. Based on the allocation methods used, a deficit of $1.2 billion will occur at the completion of the repayment period.

Status: Due to the length of time this recommendation has remained outstanding, OIG will not consider this issue resolved until a decision is reached by the Secretary. PBA considers the report to be resolved. A draft Secretarial Issue Document (SID) was prepared in 1981 but never issued in final form. On February 16, 1982, the matter was referred to PBA for inclusion in the departmental management by objective (MBO) system. A revised draft of the SID was prepared on April 7, 1983. Subsequently, new state and Federal officials began work to resolve the audit issues and provide a new SID to the Secretary by early 1985. In November 1984, approval was obtained through the MBO process to extend the date for completion of the SID to October 15, 1985. After an additional extension, it is now projected that the Secretary will make a decision on or before March 15, 1986.

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2. GEOLOGICAL SURVEY

Final Cost Audits of Husky Oil NPR, Inc. Under Contract Number 14-08-0001-16474

The contract for $709.8 million between the U.S. Geological Survey (GS) and Husky Oil NPR Inc. (Husky) provides for prospecting, developing, and conserving the National Petroleum Reserve in Alaska. Husky, as prime contractor, utilized approximately 150 subcontractors and 19,000 regular and blanket purchase orders in accomplishing its contractual obligations.

Through a coordinated effort with GS and the OIG, the Defense Contract Audit Agency (DCAA) has accomplished interim and final cost audits from October 1983 to September 1985 of 150 subcontractors and approximately 200 purchase orders.

The audits resulted in 155 reports covering $644.9 million in contract expenditures or 91 percent of the total contract amount. The audits reported cost exceptions of $65.5 million of which only $8 million was reinstated.

GS arranged for an October 1985 meeting, which included officials from Justice, DCAA, the Solicitor's Office, and OIG, to develop a position on all of the unresolved issues. A meeting with Husky officials to negotiate final settlement of the unresolved issues is to be held in December 1985. The contracting officer plans to render final decisions on all unsettled issues and litigation proceedings are expected to follow. Except for those issues that will be litigated, resolution of all outstanding issues is expected to be completed during the first half of FY 86.

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3. FISH AND WILDLIFE SERVICE

Review of the Animal Damage Control Management Information System, U.S. Fish and Wildlife Service, E-FW-FWS-14-84a, March 29, 1985

Recommendations: OIG recommended that FWS acquire and develop the selected Animal Damage Control - Management Information System software, following the completion of the current requirements analysis; train contracting officers as well as contracting officer's representatives and project officers in matters relating to contract administration; and establish a task order control system to aid project officers in monitoring contract performance.

Status: On August 23, 1985, OIG referred this report to PBA for resolution of these audit recommendations and for tracking the implementation of nine other audit recommendations.

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4. BUREAU OF INDIAN AFFAIRS

Review of Accounting Controls Over Tribal Trust Funds, C-IA-BIA-24-83, September 29, 1983

Recommendations: BIA should reconcile the five systems used to account for tribal trust funds and establish one system with fully integrated and compatible subsystems to keep track by each trust fund of cash collections, cash disbursements, investments and interest earned. Also, BIA should create a new organizational entity whose sole responsiblity is the handling of tribal trust funds; and determine the feasibility of contracting out all or portions of the trust fund activity.

Status: BIA has indicated general agreement with the recommendations. However, the specific actions that will be taken to implement the recommendations need to be defined and targeted for completion. This report has been referred to PBA for resolution.

* * * * *

Review of Social Services Program Operated by the Navajo Tribe Under Contract N00C14Z09253 with the Bureau of Indian Affairs, C-IA-BIA-20-83, October 26, 1984

Recommendation: Forty-two recommendations were made dealing with the management of the program, compliance with contract terms, disallowed costs, and quality of service.

Status: A detailed corrective action plan, received in September, is under OIG review.

* * * * *

Review of Facility Construction Activities, Bureau of Indian Affairs, C-IA-BIA-21-83, November 2, 1984

Recommendations: BIA should affirm its stated policy of considering availability of alternative school facilities (such as a public school) when establishing the priority rankings of proposed school construction projects and follow that policy, or develop and follow a new policy; review and revise the basic criteria governing the type, size and costs of schools it will build; and use more realistic construction costs for budget purposes.

Status: BIA disagrees with the report findings and recommendations. It believes present policy is adequate and affirms that availability of alternative school facilities will continue to be considered along with other matters. Although BIA agreed to review the basic standards for construction, it does not believe the costs or designs of schools are extravagant. This report has been referred to PBA for resolution.

* * * * *

Funding of Cooperative Schools, Bureau of Indian Affairs, C-IA-BIA-06-85(a), December 6, 1984

Recommendation: Reduce or deny BIA funding to cooperative schools (schools operated under agreement between BIA and local public school districts, these schools receive per capita funding from BIA and the Department of Education) if the Department of Education does not take appropriate actions to reduce impact aid funding in those instances where the same students are counted for both BIA and impact aid funding.

Status: BIA's position is that it does not have the authority to reduce or deny the BIA funding to schools identified as receiving both impact aid and BIA funds on the basis of duplicate student counts. BIA suggested that the issue be raised to the appropriate policy levels in both departments. In seeking resolution of this issue, OIG has proposed an amendment to a draft bill initiated by the Department of Education to change the impact aid program statute in order to correct this problem and began meetings between OIG and program officials of both departments.

* * * * *

Review of Wisconsin Winnebago Tribe Bingo Operation Under Ho-Chunk Management Corporation, Bureau of Indian Affairs, E-IA-BIA-60-84(b), January 16, 1985

Recommendation: BIA offer technical assistance to the tribe in reopening the bingo hall. This assistance could include guidance in establishing accounting and internal control procedures.

Status: BIA did not respond to the audit report. The report has been referred to PBA for resolution.

* * * * *

Review of Procurement Activities, Billings Area Office, Bureau of Indian Affairs, W-IA-BIA-30-84, February 25, 1985

Recommendations: Twenty-two recommendations pertaining to contracts for supplies and services, contracts with former BIA employees, reimbursement for indirect costs, resolution of questioned and disallowed costs, contract and grant financing and contract and grant closeout are unresolved.

Status: Followup information was requested from BIA on these recommendations by April 26, 1985. No response was received; accordingly, this report was referred to PBA for resolution.

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5. TERRITORIAL GOVERNMENTS

Federated States of Micronesia

Management of Truk Cholera Program Resources, N-TG-FSM-08-83, July 3, 1984

Recommendations: The report contained 15 recommendations to improve the management and accountability of resources for the cholera program as well as other programs.

Status: Truk's response did not adequately address five recommendations, and OIG subsequently referred them to PBA for resolution on March 28, 1985. The other 10 recommendations have been satisfactorily resolved.

Diversion of Public Funds from the State of Truk Finance Office, N-TG-FSM-12-84, March 13, 1985

Recommendations: The report made five recommendations to establish internal controls in order to reduce the potential of future misappropriations of funds.

Status: Truk's response to the draft report was sufficient to resolve one recommendation. Truk never responded to the final report. Therefore, OIG referred the four unresolved recommendations to PBA for resolution.

* * * * *

Virgin Islands

Contract Administration Over On-Going Projects, Government of the Virgin Islands, V-TG-VIS-14-84, November 5, 1984

Recommendations: The audit report made 15 recommendations for improvements in quality assurance and control; acceptance and warranty inspections; progress payments; contract change orders; and plans and specifications.

Status: Responses from the Governor of the Virgin Islands were sufficient to resolve six recommendations, but did not adequately address the remaining nine recommendations. As a result, the nine unresolved recommendations were referred to PBA for resolution.

* * * * *

Review of Billing and Collection Procedures for Hospital Services, Government of the Virgin Islands, V-TG-VIS-11-84, February 19, 1985

Recommendations: Nineteen recommendations were made directing the Governor to take regulatory and administrative actions necessary to correct the problems identified in the report.

Status: The Governor of the Virgin Islands' response to the draft report indicated general concurrence with all recommendations but did not provide an action plan for implementation. As a result, the 10 recommendations were considered unresolved and were referred to PBA for resolution.

* * * * *

Administration, Enforcement, and Collection of Gross Receipts Taxes, Government of the Virgin Islands, V-TG-VIS-07-84, March 29, 1985

Recommendations: Seven recommendations were made for the Governor of the Virgin Islands to take regulatory and administrative actions necessary to improve tax administration, enforcement of penalties, and collecting $1.9 million of accounts receivable.

Status: The Governor of the Virgin Islands' response to the draft report was sufficient to resolve three recommendations. However, no response was received for the final report. Therefore, the four unresolved recommendations were referred to PRA for resolution.

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E. SIGNIFICANT RESOLVED RECOMMENDATIONS MADE PRIOR TO APRIL 1, 1985, BUT NOT IMPLEMENTED

1. MINERALS MANAGEMENT SERVICE

Policy and Procedures for Determining Gas Processing Allowance for Plants Processing Natural Gas from Federal Leases in the OCS Gulf of Mexico Area, C-EM-MMS-06-83(a), January 4, 1983

Recommendation: On June 23, 1977, OIG's predecessor organization issued an audit report entitled "Review of Royalty Determination, Accounting, and Collection Activities for the Gulf of Mexico Outer Continental Shelf (OCS) Oil and Gas Leases, Geological Survey." In the report it was recommended that the method used to determine the processing allowances for offshore gas production be changed to agree with the method used onshore. The report contained statements to the effect that the offshore method was irrational and arbitrary. Geological Survey agreed with the recommendation and advised that it would be implemented.

In 1982, OIG determined that the recommendation had not been implemented. As a result, additional royalties of over $36 million were lost during 1980 and 1981 and millions more annually since that time. The regulations were essentially prepared by MMS in 1983. Since that time, the regulations have undergone numerous administrative reviews by departmental organizations without ever getting the necessary approvals for issuance. The target date for the proposed rule is January 1986, with estimates that it will be 1987 before the final regulations are implemented.

* * * * *

Audits of Federal and Indian Oil and Gas Royalties

Recommendation: OIG has issued 18 reports in which the recommendations contained therein have not been fully implemented and which identified approximately $83.2 million in potential additional royalties. A significant portion of these potential additional royalties involved complex legal and interpretive issues that needed to be resolved by MMS and the Department prior to proposing corrective actions. All of these issues have been resolved within the past six-month reporting period. As a result, MMS implemented actions to close three reports with outstanding findings of $14.5 million.

MMS generally agrees with the findings and recommendations contained in the 18 reports and has proposed specific corrective actions, including litigation in some instances, to resolve each of the outstanding recommendations. MMS has collected about $21.8 million through September 30, 1985. Additionally, MMS has outstanding assessments of $3 million and another $32.4 million is tied up in legal and administratives proceedings. OIG has referred these reports to PBA for tracking the completion of the stipulated actions. OIG will monitor this followup process as necessary.

* * * * *

Audits of Gas Plants Processing Natural Gas Produced from Federal Leases in the Gulf of Mexico Area

Recommendations: OIG has issued seven reports that identified approximately $8.5 million in potential additional royalties. Two conditions, undervaluing of natural gas liquid products (NGLP) and excessive manufacturing allowance, $5 and $3.5 million, respectively, account for the potential additional royalties due.

MMS generally agrees with the findings and recommendations with the exception that it wants to apply its "Natural Gas Liquid Products Valuation" procedure paper criteria, which was provided to OIG on March 6, 1985, and recalculate the NGLP findings for these seven reports. OIG accepted this change in policy and awaits the necessary implementing actions by MMS to collect the amounts due.

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2. OFFICE OF SURFACE MINING

Abandoned Mine Reclamation Fund Fee Compliance Program, Office of Surface Mining, Reclamation and Enforcement, E-EM-OSM-07-83, February 15, 1985

Recommendation: OIG made 24 recommendations to address the findings discussed in its report as follows: OSM's management information system does not provide the information management needed to monitor the effectiveness of the program; fee compliance personnel have not received adequate training; OSM needs to develop uniform performance standards for fee compliance personnel; and the Solicitor's Office (SOL) needs written procedures for collection activities and an action plan for completing development of its management information system.

Three of the recommendations are being addressed in a subsequent review of SOL. Twenty of the 21 recommendations addressed to OSM are resolved, although 16 of those 20 have not yet been fully implemented.

3. NATIONAL PARK SERVICE

Review of Gateway National Recreation Area, National Park Service, E-FW-NPS-11-83, June 22, 1984

Recommendations: OIG recommended that NPS consider excluding 24 Government-furnished housing units in the Gateway National Recreation Area and selling them. Further, OIG recommended that for any of the housing units which NPS decides not to remove from Gateway, NPS should identify opportunities for converting those buildings for uses which benefit Gateway programs and operations. OIG also recommended that NPS proceed with its plan to determine appropriate uses for two beach club areas, which were currently operating in Gateway under special use permits.

The Assistant Secretary-PBA resolved the issues on February 8, 1985, and stated that the housing recommendations will be placed in the departmental audit followup system, and the NPS will operate the private beach clubs under concession agreements in calendar year 1986. However, prior to July 1985, NPS started a review of Government-furnished quarters at Gateway. In July 1985, the new Director of NPS rescinded NPS special directive 84-5 (policy of remoteness), and reinstated NPS-36, Government Furnished Quarters Management Guideline (approved October 22, 1984). NPS has now required Gateway to use NPS-36 to complete by February 27, 1986 an analysis of its housing needs for the present and the future.

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4. BUREAU OF INDIAN AFFAIRS

Review of Bureau of Indian Affairs Housing Improvement Contract with the Turtle Mountain Band of Chippewa Indian Tribes, C-IA-BIA-20-82(a), September 30, 1982

Recommendations: Streamline current regulations to provide for Public Law 93-638 contract cancellation appeals process of not more than 30 days. Modify BIA regulations to require the Assistant Secretary for Indian Affairs to take immediate action when the OIG finds and documents cases of contract or grant abuse.

* * * * *

Review of Government Property in the Possession of Indian Organizations, W-IA-BIA-07-82, February 22, 1983

Recommendation: Enforce the requirement that each Indian organization contracting with BIA under P.L. 93-638 maintain a satisfactory property management system by advising Indian organizations that the award of future P.L. 93-638 contracts and grants will be contingent upon the organization's demonstration that it has and is maintaining an adequate property management system.

* * * * *

Review of Travel Advances and Related Travel Matters, C-IA-BIA-10-82, February 28, 1983

Recommendation: Revise the automated travel system to accumulate travel costs by employee and then use the information to evaluate the need for individual travel advances.

* * * * *

Review of Elementary and Secondary Education, Aberdeen Area, C-IA-BIA-12-82, May 25, 1983

Recommendations: Establish criteria covering the circumstances under which BIA can enter into cooperative agreements for school operations and terminate existing cooperative agreements which do not meet established criteria.

* * * * *

Review of Financial Management System and Selected Program Activities of the Haulapai Tribe, W-IA-BIA-11-83, August 26, 1983

Recommendations: Define the types of programs and costs that will be accepted as meeting the unique educational needs of Indian children under the Johnson-O'Malley supplemental programs. Conduct a cost benefit study of the forestry program before continuing to fund the program at a $320,000 level.

* * * * *

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Review of the Bureau of Indian Affairs Adult Education Program, W-IA-BIA-14-83, August 31, 1983

Recommendation: Establish a requirement that before adult education services are provided, that determination be made if there is a readily available program capable of providing these services before awarding contracts and grants.

* * * * *

Review of the Bureau of Indian Affairs Higher Education Grant Program, W-IA-BIA-17-83, February 21, 1984

Recommendations: Establish and enforce regulations that define minimum academic standards and funding criteria, and that require applicants to apply for non-bureau financial aid in order to be considered for assistance.

* * * * *

Review of Selected Management Activities of the Bureau of Indian Affair's Flathead Irrigation Project, W-IA-BIA-31-83, February 24, 1984

Recommendations: Initiate action to obtain an adequate rate increase. Obtain Secretarial approval for elimination of repayment limits or increase the limits to provide for repayment of the Federal investment as required by law. Assure that no additional Federal funds are invested in irrigation facilities until provisions are made for their repayment as required by law or until accumulated unpaid repayment obligations are satisfied.

* * * * *

Review of BIA's Management of Allotted Lands Belonging to Members of the Turtle Mountain Band of Chippewa Indians and Located in Montana, C-IA-BIA-20-82I, March 22, 1984

Recommendation: Initiate an address confirmation process in its standard operating procedures prior to making large cash disbursements ($1,000 plus) from IIM accounts.

* * * * *

Review of the Funding of the Bilingual Education Program at Bureau of Indian Affairs Schools, W-IA-BIA-40-84, September 28, 1984

Recommendations: Determine and implement actions necessary to eliminate the use of Indian school equalization funds for bilingual education programs for those students who are also covered by bilingual education funds from the Department of Education.

* * * * *

Review of Bureau of Indian Affairs Adult Vocational Training and Direct Employment Assistance Programs, W-IA-BIA-38-84, September 21, 1984

Recommendation: Establish a uniform methodology for determining applicant eligibility for financial assistance that will be used as a basis to determine the amount of subsistence payments to be provided to each applicant.

* * * * *

Review of Selected Administrative Activities, Albuquerque Area Office, Bureau of Indian Affairs, C-IA-BIA-22-83, September 28, 1984

Recommendations: Determine status and establish controls over funds advanced to contractors and grantees. Develop a written policy defining pass-through funds and how indirect costs on these funds should be handled.

* * * * *

Review of Funding Provided for the Operation of Tribally Controlled Community Colleges, W-IA-BIA-39-84, December 31, 1984

Recommendations: Establish and implement regulations for distributing funds to colleges that exclude funding for students who are not making satisfactory progress toward a degree or certificate, have not demonstrated an ability to benefit from college attendance, or are not attending classes.

* * * * *

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5. TERRITORIAL GOVERNMENTS

American Samoa

Review of American Samoa Government's (ASG) Procedures for Collecting and Accounting for Excise Taxes, S-TG-AMS-13-84, October 23, 1984

Recommendation: Require that imported petroleum products be subject to excise taxes and establish formalized procedures for collection of the taxes. Develop procedures for collecting taxes, assessing taxes on certain juices and substandard materials, and inspection of imported products. Submit legislation to eliminate certain refund provisions.

Government of Guam

Review of Cost of Living Adjustment, Government of Guam, N-TG-GUA-13-83, March 15, 1983

Recommendations: Thirteen recommendations were made to improve procedures or make corrections in cost of living computations, entitlement determinations, and retirement fund contributions.

* * * * *

Islandwide Paving Program, Government of Guam, N-TG-GUA-16-83, February 21, 1984

Recommendation: OIG recommended that the Governor of Guam have the Department of Public works prepare a village street and rural road master plan to ensure that paving priorities can be set and that the roads that need maintenance the most are addressed first.

* * * * *

Review of the Department of Education's Procurement Activities, Government of Guam, N-TG-GUA-21-83, September 28, 1984

Recommendations: Seven recommendations were made to remove the Department of Education's procurement authority, solicit competition, clarify contract terms, improve procurement justifications and improve contract administration.

* * * * *

Review of 1982 Gubernatorial Election Year Programs in Retrospect, Goverment of Guam, N-TG-GUA-18-84, July 30, 1984

Recommendation: Submit and support proposed legislation to establish an independent public auditor/investigator office.

III. INVESTIGATIVE ACTIVITIES

A. GENERAL

Last reporting period we mentioned the significant increase in activity in territorial matters. In part, OIG's FY 86 budget was predicated on the belief that territorial work could be handled by a two agent office in Guam and temporary duty travel from OIG's Eastern Region for work in the Virgin Islands. Our two agents in Guam obtained 12 indictments in FY 85, and OIG had to assign another agent to American Samoa for an investigation of the Development Bank of American Samoa, which resulted in four convictions and a $4 million civil filing. Several other investigations are now being conducted at the request of the American Samoa government based on OIG audit findings. The caseload is so large and so significant that the Attorney General of American Samoa has personally requested the permanent assignment of a resident agent.

OIG faces a similar situation in the Virgin Islands where an agent has spent most of this year in temporary duty status working under the direction of a Strike Force Prosecutor. The results to date and the collateral caseload developed by OIG's presence in American Samoa and the Virgin Islands justify posts of duty in both locations. But in view of our current staffing constraints, our only alternative is to reject the request of the Special Prosecutor in the Virgin Islands and place the workload in unassigned status.

In December 1984, the United States Attorney for the District of South Dakota made a formal written request to the Inspector General asking us to permanently assign an OIG agent to Rapid City, South Dakota. Since the OIG obtained 14 criminal indictments this year in that district and has initiated an additional 21 cases, OIG is inclined to honor that request. However, under current staffing levels, that will not be possible.

Despite the decline in investigative resources, during this six-month reporting period, this office has obtained 61 indictments, 36 convictions, and $1,751,016 in recoveries. Indictments are ahead of FY 84 levels by 188 percent and convictions by 200 percent. Of the 271 administrative actions handled this reporting period, management took corrective/administrative action on 122. Dollar recoveries and savings this fiscal year totaled $1,846,080 in comparison to last fiscal year which totaled $79,542.

OIG's rate of case opening is running ahead of the FY 84 rate by 56 percent. This office has produced exceptional results for all three indicators of productivity (indictments, administrative actions and dollar recoveries), particularly in the most meaningful category--indictments.

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The OIG's base program is designed to provide adequate investigative coverage of the broad spectrum of DOI programs that are geographically scattered throughout the continental U.S., Guam, American Samoa, the Trust Territories of the Pacific and the Virgin Islands. OIG has attempted to maintain adequate coverage through the productivity increases shown above and a combination of "working smarter" and increasing selectivity in the quality of the cases that OIG accepted for investigation.

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B. SPECIAL PROJECTS

1. SIMULTANEOUS OIL AND GAS LEASING PROGRAM (SIMO)

On March 6, 1984, OIG Special Agents served 16 search warrants in 5 states on filing service companies believed to be defrauding citizens of millions of dollars. As a result of those warrants, three filing services have had action taken against them during this reporting period:

- A Federal Grand Jury in Miami, Florida, indicted 9 officers and employees, accusing the corporation of defrauding 130 people of $1.2 million.

- A Federal Grand Jury in Detroit, Michigan, indicted four officers and employees of allegedly making misrepresentations concerning potential oil and gas development and potential income on land in Alaska in order to solicit the sale of parcels to consumers.

Civil litigation resulted in a corporation creating a $2.5 million redress fund to settle charges accusing them of deceiving clients, who invested between $4,000 and $100,000 in oil and gas lotteries from January 1981 through September 1983.

The OIG has identified 427 victims of fraud by "Boiler Room" 1/ promoters for a total loss of $3,886,129. These figures do not include allegations made directly to the FBI, Postal Inspectors or the Federal Trade Commission.

The OIG believed the SIMO operation would be a relatively straight forward investigation completed in 1984. It has clearly grown well beyond that, both in terms of investment and results. However, the OIG was not staffed to continue it in FY 85 and has kept it going at the expense of other equally vulnerable areas. Despite new frauds, new complaints and the continued controversy surrounding the entire SIMO program, the OIG does not have the resources to continue its present level of effort with these consumer fraud cases, unless it is at the expense of other equally vulnerable areas.

1/ A cooperative investigation into companies which defraud the public through fraudulent telephone sales misrepresentations regarding the SIMO lottery and the resale of Federal mineral leases.

2. UNEMPLOYMENT COMPENSATION

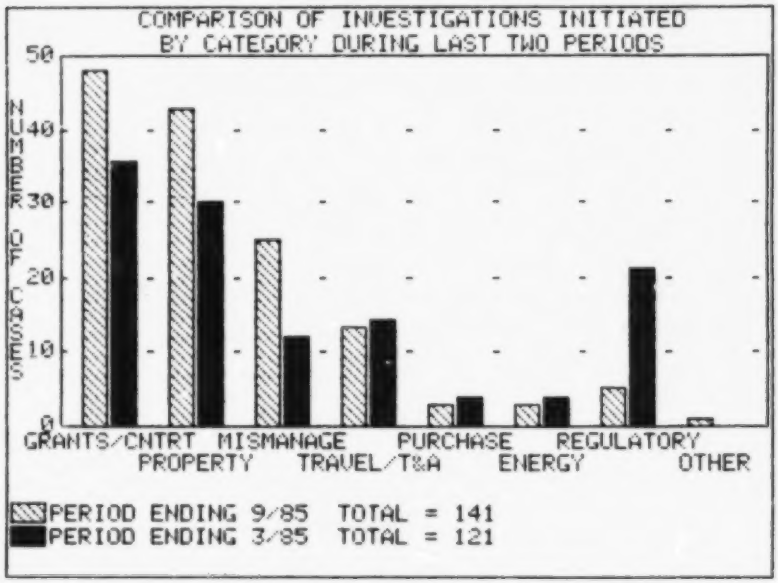
Twenty-one current and former employees of the National Park Service (NPS) were indicted in Federal District Court for the District of Columbia on August 8, 1985, on charges of false statements, false claims and mail fraud stemming from the filing of fraudulent claims for unemployment compensation while they were employed by NPS. The 21 individuals were identified by a U.S. Department of Labor (DOL) and DOI computer match, which showed employees who were receiving unemployment compensation benefits (estimated at a total of $60,000) at the same time they were on the DOI employment rolls. Twenty of those indicted have pled guilty and are awaiting sentencing.

3. NORTHERN PLAINS TASK FORCE

In December 1984, the U.S. Attorney for the District of South Dakota made a formal request asking OIG to permanently assign an agent to Rapid City, South Dakota to handle the growing volume of BIA related cases in the District. FY 85 budgetary constraints prohibited the establishment of such an office, so we initiated the Northern Plains Task Force of auditors and investigators to respond to requests on an ad hoc basis. But, unfortunately, the 20 percent investigative staffing reduction in the FY 86 budget will compel a substantial decline in this effort.

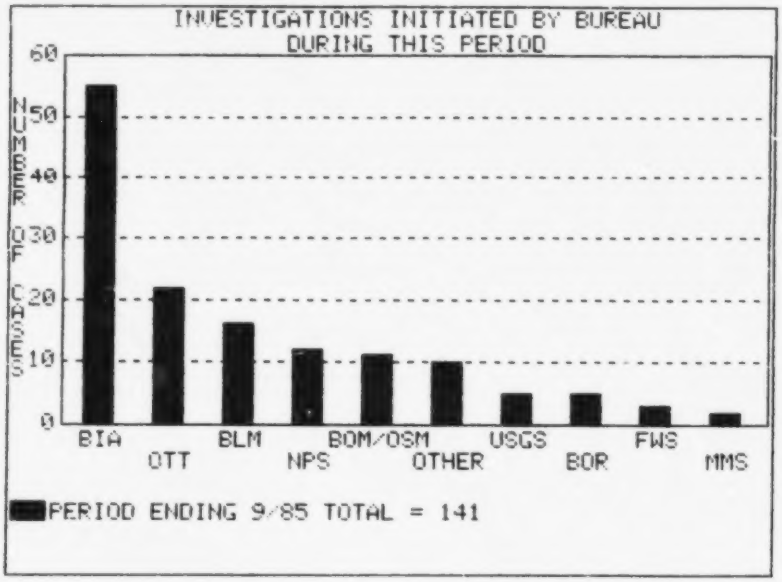
C. CASES INITIATED

OIG's investigative caseload has increased because we made a concerted effort to reach employees, grantees and contractors of the Department, and tell them of the OIG's authority, its responsibilities, and its statutory mission. The chart below illustrates a comparison of investigations initiated by category during the past fiscal year:

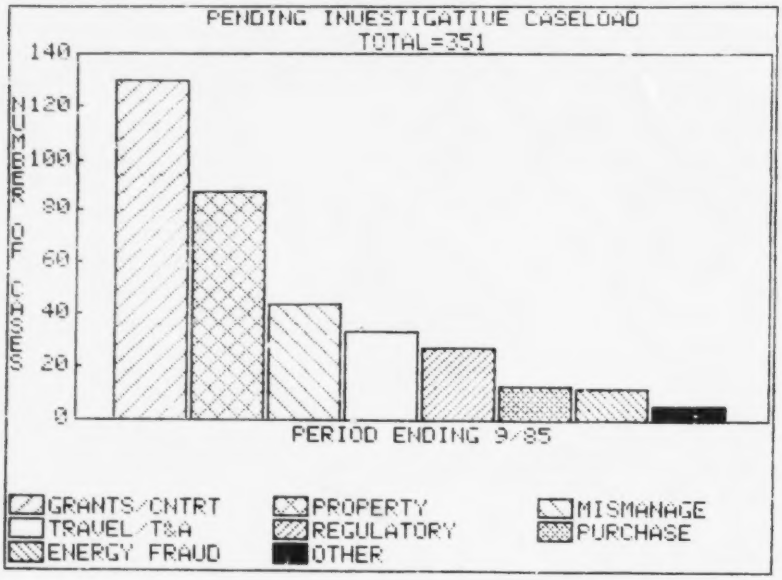


This period, contract and grant cases increased by 33 percent (48) over last period (36). Thirty percent of the newly initiated caseload were property cases with personnel-type matters representing 11 percent of the caseload.

The Bureau of Indian Affairs (BIA) continues to have the largest number of cases initiated, 39 percent, followed by the Office of Trust Territories with 16 percent, BLM with 11 percent and NPS with 9 percent of the caseload. Eight percent of the cases initiated this period were for the Office of Surface Mining (OSM). The following chart depicts the breakdown of the number of cases by bureau/office:



The OIG had 351 cases pending at the end of this six-month period, which is an increase of 75 percent over last reporting period as shown on the following chart:



IV. INVESTIGATIVE RESULTS

A. JUDICIAL

The following chart depicts actions taken on cases pending prosecutive decision at the end of the last six-month period and cases referred to the U. S. Attorneys during this period:

	Cases	Accepted	Declined	Pending Decision	Indictments Information	Plea Bargains/ Convictions
Referred This Period	70	47	13	10	49	33
Pending From Last Period	40	20	8	12	12	3
Total	110	67	21	22	61	36

As a result of judicial and administrative actions taken this reporting period, the following results were achieved:

Jail.....276 months
Suspended Sentences.....24 months
Probation.....468 months
Community Service.....800 hours
Fines.....$5,425
Restitutions.....$118,272
Recoveries.....$139,357
Savings.....$1,500,000

The following descriptions of some of OIG's major cases illustrate the wide range of areas in which OIG has expended its investigative efforts:

- On June 15, 1982, a GM-15 Petroleum Engineer with the U.S. Geological Survey (USGS) was killed in an automobile accident, which occurred at 3:25 p.m. on a public road adjacent to USGS Headquarters in Reston, Virginia. The employee had been at a local restaurant attending an impromptu birthday party for a colleague since approximately 11:30 a.m. that morning. The employee's widow filed an Office of Workmens Compensation (OWCP) claim alleging that her husband's death was work related. The DOL initially approved the claim. OIG investigation established that at the time of the accident, the employee's blood contained a level of alcohol approximately twice the level of legal intoxication in the State of Virginia. The investigating police officers determined that the vehicle was traveling 66 mph in a 25 mph zone immediately before the accident. Investigation further revealed that at the luncheon the employee had told others that he did not intend to return to work that afternoon. OIG referred the results of the investigation to the Deputy Under Secretary, DOL, and requested a review of the employee's duty status at the time of the accident. On July 15, 1985, OIG was notified that, based on the OIG investigation of circumstances surrounding the accident, the Division of Federal Employees' Compensation, DOL, was terminating the OWCP claim of the employee's widow. Savings to DOI are estimated at approximately $1.5 million in future benefits.

- On June 15, 1985, a South Dakota Federal Grand Jury indicted a former BIA Loan Specialist and five coconspirators. The indictment charged her with obtaining loans fraudulently from the Oglala Sioux Tribe Short Term Loan Program and a bank in Nebraska that administered loans for the tribe. On September 5, 1985, all six were found guilty of embezzling tribal funds.

- OIG investigated an allegation that the U. S. Fish and Wildlife Service (FWS) had violated provisions of 31 U.S.C. 1341 (Anti-Deficiency Law), which resulted in an overobligation in excess of $1,000,000 and that a cover-up had been committed contrary to the provisions of 18 U.S.C. 1001. Some contracts were not entered into the accounting system which created the appearance of ample funds. Other contracts were marked "cancelled" without further action on the part

of contracting officers to excuse the Government from contractual obligations. Other actions taken attempted to modify the contract to place the obligation of funds in a subsequent year. Certifications were erroneously made to both the U. S. Department of the Treasury and to OMB as to the correctness of FWS's year-end fiscal accounts. 31 U.S.C. 1341 is a two-prong statute. It prohibits obligating the Government in excess of appropriations. It also prohibits obligating monies prior to the availability of an appropriation. The U.S. Attorney for the District of Colorado declined prosecution for the cover-up as the complexity of the issues were not suitable for prosecution under the Anti-Deficiency Law.

The OIG Report of Investigation was transmitted to the Office of the Secretary on May 8, 1985, so that the required report by the Secretary to the President could be prepared. However, the Office of the Secretary continues to reconstruct expenditures and obligations in order to verify the figures contained in the OIG Report of Investigation.

- In our previous semiannual report, we described a case involving a former BIA Housing Officer, who, in violation of BIA housing regulations, purchased nearly one half million dollars worth of used mobile homes from a Missoula, Montana, mobile home dealer. In exchange, the former Housing Officer received bribe payments of $30,000. He and his spouse have entered guilty pleas and are awaiting sentencing. The mobile home dealer had previously entered a guilty plea and was sentenced to four years probation and was ordered to pay a $3,000 fine and to perform 800 hours of community service.

- An OIG investigation, based on an OIG audit referral in Agana, Guam regarding apparent false or questionable billings by a Guam corporation to the Department of Education (DOE), Guam government, resulted in a 41 count indictment in U. S. District Court, Agana, Guam, on May 23, 1985. The indictment charges 12 current and former DOE officials and local contractors (vendors) with violations that include Mail Fraud, Wire Fraud, Hobbs Act and Hobbs Conspiracy, False Declaration Before a Grand Jury and Conspiracy to Obstruct Justice. Eleven of the 12 defendants entered into plea agreements in which all have agreed to plead guilty and cooperate with the Government. The one employee who did not make a plea agreement, the former Director of DOE, went to trial on August 1, 1985, and, on August 9, 1985, was found guilty and

is subject to a maximum sentence of 70 years in prison and a $50,000 fine. Sentencing is anticipated before October 31, 1985. Three of the 11 defendants have been sentenced with fines and restitution totalling $51,900. The remaining eight defendants are awaiting sentencing.

- A BIA contractor of the Northwest Indian Fisheries Commission, which represents 24 Indian tribes in Washington State, was audited at the request of tribal leaders. As a result of the audit and investigative followup, BIA declined to renew the FY 85 contract until sound management systems were implemented. The Acting Executive Director resigned rather than take a lower paying position and the case is pending indictment by a Federal Grand Jury for misapplication of contract funds. The Comptroller of the Commission was terminated from employment and pled guilty in a plea agreement. He is serving six months of a five year sentence in confinement and is making restitution of $11,373. The investigation also resulted in an additional employee being terminated and the issuance of a Bill of Collection for $44,646 by the BIA Contracting Officer.

- Investigation of a FWS employee resulted in finding that the employee had embezzled in excess of $10,000 in cash and property. A plea agreement was reached with full restitution to the Government. The U.S. District Court in the Southern District of California is considering the plea agreement. The Government reserves its right to recommend any sentence it deems appropriate.

Other cases which resulted in legal action based on an OIG investigation this period are:

- A former NPS employee pled guilty to embezzlement in excess of $5,000 from campground fees at Bandlier National Monument; was sentenced to three years probation; and ordered to make restitution of $4,872.

- Last reporting period OIG cited an indictment of a GS-13 Land Operations Officer, BIA, Pine Ridge Agency, charged with bribery, embezzlement, illegal trade with an Indian, conversion of Government property, and false travel and time and attendance claims. He was sentenced to three years imprisonment and ordered to make $12,038 in restitution.

- A former SOL mail clerk pled guilty to a violation of conversion of Government property--a motor vehicle credit card. Sentencing is pending.

Investigation is continuing to determine if other agencies of DOI or other Federal agencies were victimized in a similar manner.

- Investigation of the American Samoa Enterprise Fund, based on an OIG audit referral, developed evidence that a former Bookkeeper embezzled $12,000 for his personal use. The Attorney General's Office in American Samoa has accepted this investigation for criminal prosecution, and a hearing is scheduled for November 1985.

- On August 16, 1985, the Secretary/Treasurer, Tonkawa Tribe of Oklahoma, was indicted by a Federal Grand Jury for embezzlement and theft from Indian tribal organizations. Additional indictments are expected. Trial is yet to be scheduled.

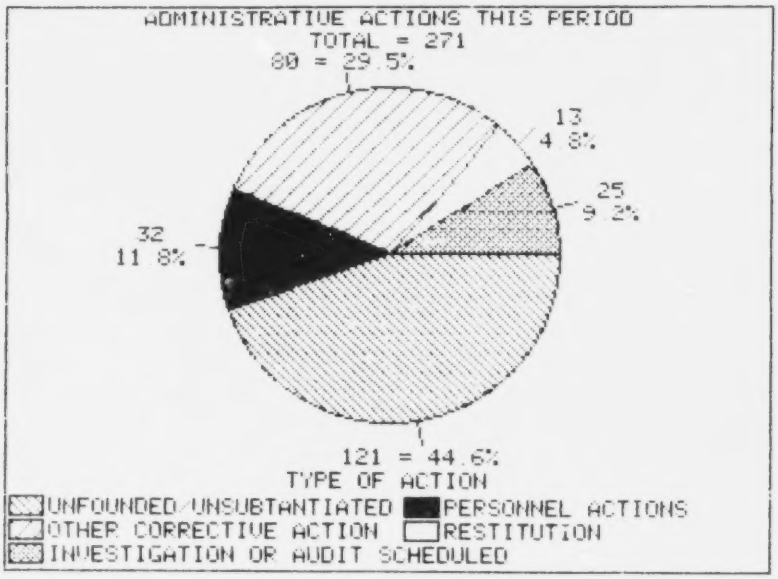
- On August 19, 1985, a Pine Ridge tribal member was indicted for embezzlement. Sentencing is pending.

- An OIG investigation of a former BIM seasonal worker in Jackson, California, and her companion disclosed that they used a BIM telephone credit card to make telephone calls costing in excess of $600. On September 4, 1985, each pled guilty in California State Court and were sentenced to 360 days in county jail; the sentences were suspended and they were placed on three years probation. Under the terms of the probation, they will make total restitution to the Government.

- DOJ declined prosecution of DOI officials who were the subject of an OIG 10-month long investigation of allegations of coverup or conspiracy among DOI officials to hide evidence of selenium poisoning at the Kesterson National Wildlife Refuge, Sacramento, California.

B. ADMINISTRATIVE ACTIONS

This reporting period, OIG handled 271 matters administratively; 120 of these resulted in corrective action taken by management, some of which include 5 resignations, 5 suspensions, 1 downgrade, 1 transfer, 20 reprimands/letters of warning/counseling, and 13 restitutions. One individual's one-year employment contract was not renewed. Forty-five percent or 121 of the matters received were found to be unsubstantiated, non-jurisdictional or for informational purposes only. Twenty-eight additional matters are pending final remedial action. The following chart illustrates types of actions taken by management:



The following information identifies some of the substantive matters which resulted in investigation and administrative handling:

- An SES employee of the DOI, SOL refunded $5,541.84 to DOI after it was determined that 318,315 miles of Government travel had been credited to her account under an airline "Frequent Flyer" Program. DOJ declined prosecution in the case because the "Frequent Flyer" coupons were utilized before the employee's work unit received a written memorandum explaining the Comptroller General's opinion forbidding the crediting of Government travel toward an individual's "Frequent Flyer" Program.

- An inquiry was conducted based on allegations received from an anonymous source that an SES employee, BOM, misused a Government vehicle while on official travel, abused time and attendance regulations, and exercised poor administrative judgment. The employee received a 30-day suspension for misuse of the Government vehicle and a 15-day suspension (concurrent with the 30-day suspension) for failure to properly adhere to time and attendance regulations.

- As a result of an inquiry received via the OIG Hotline complaint system into allegations of willful misuse of a Government vehicle, a GS-9 supervisory employee of the BIA received a 30-day suspension.

- An electrician employed by the Bureau of Reclamation (BOR) received a 14-day suspension for allowing unauthorized use of Government property to a contractor for personal gain. This investigation also resulted in two BOR employees receiving letters of reprimand.

- A Navajo Area Program Administrator for BIA received a 14-day suspension based on results of an investigation disclosing falsification of journal entries in an attempt to conceal material facts pertinent to allegations of employee misconduct.

- A BIA GS-4 Accounting Technician was terminated from Government service and required to pay back $1,661, which she embezzled from Individual Indian Money accounts.

C. MANAGEMENT ISSUES

Management continues to be responsive in initiating corrective actions resulting from matters referred from this office. The following examples highlight a few of these.

- Although an OIG investigation into allegations of alleged theft of fee collections at a NPS Colorado State National Monument did not disclose evidence to support allegations of theft or conversion of Government funds for personal use, it did reveal the existence of weak procedures pertaining to the accountability of visitation and various fee collections. The NPS has initiated improved procedures to monitor visitation and fee collections and will conduct a review of the adequacy of these procedures.

- An inquiry regarding the possible miscoding of Alaska Department of Fish and Game financial obligations to the FWS's Federal Aid Grant Programs by Alaska state employees disclosed that incorrect coding existed and was in violation of the state's accounting procedures; however, there were no indications or findings of inappropriate charges against Federal funds. The incorrect process was used to expedite payment of legitimate bills. The state accounting system had adequate internal controls; however, their own procedures were not followed. As the result of the investigation conducted by the state attorney general's office, the state has strengthened its internal controls through revised forms, policies, procedures, and in-service training programs.

- Based on a referral from the Special Counsel, Merit Systems Protection Board, concerning allegations of violations of anti-nepotism laws at an Indian college within the BIA, an inquiry was initiated which resulted in the president of the college being issued a letter of restriction, which requires that he recuse himself from all supervisory and other personnel matters which would have an appearance of nepotism. In addition, the BIA chief personnel officer issued a personnel management letter to all area directors and personnel officers which restated statutory prohibitions against employing and/or promoting or advocating the employment and/or promotion of a relative and reminded supervisors, managers and employees of their responsibilities with regard to anti-nepotism laws.

- BLM issued a Handbook of Leave Policy and Practices, dated March 1985, as a result of allegations of leave abuse violations.

. Under "Investigative Results" herein, we reported on allegations that FWS officials violated the Anti-Deficiency Act. Based on that investigation, the FWS reported it has or will intitiate the following actions:

Revise performance standards of regional directors and program managers to provide a more specific critical element addressing responsible financial management.

Initiate a monthly reconciliation certification process, adjusting the obligation cut-off date and describing penalties for various violations of internal controls related to financial management.

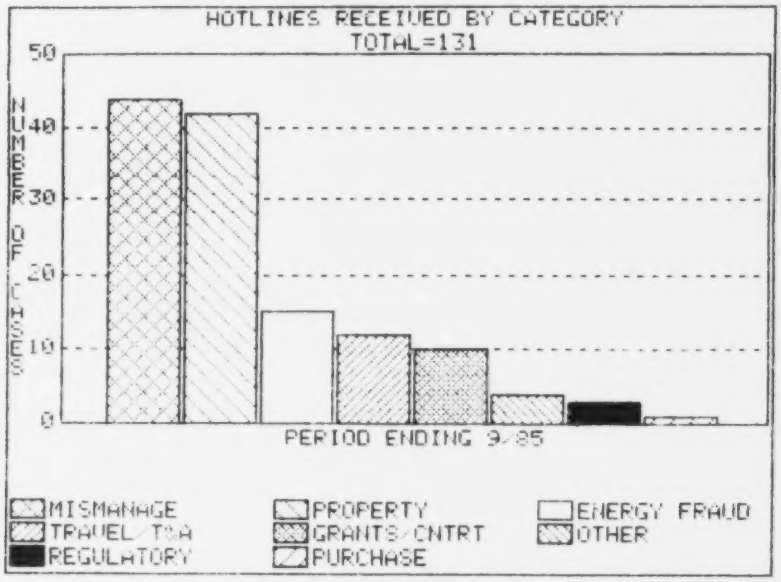
V. OIG HOTLINE SYSTEM

The OIG received 131 complaint matters during this period--4 less than last period. The sources of complaints are identified below:

OIG Hotline.....90
GAO Referrals.....14
Bureau/Office Referrals.....11
Office of Special Counsel.....4
Other Referrals.....12

It should be noted that of the 131 Hotline matters received, 21 of these were converted to a formal investigation conducted by this office.

The following charts illustrate the types of Hotline complaints received by subject category and the bureaus and offices they relate to:



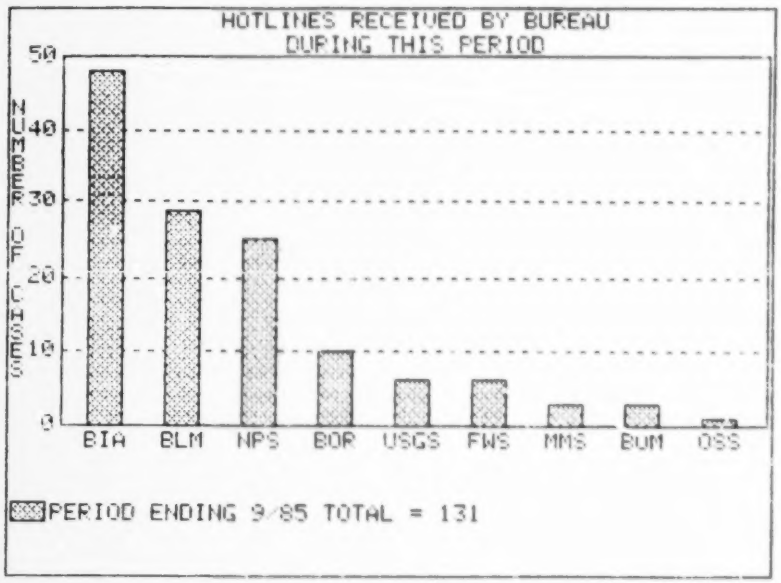


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EXHIBIT A

SUMMARY OF AUDIT ACTIVITIES

FOR THE 6-MONTH PERIOD APRIL 1, 1985 TO SEPTEMBER 30, 1985

REPORTS ISSUED TO:	OIG AUDITS PERFORMED BY: OIG STAFF	OTHER FEDERAL AGENCIES	NON-FEDERAL AUDITORS*	TOTAL
DEPARTMENT/OFFICE OF SECRETARY	4	2	5	11
BUREAU OF INDIAN AFFAIRS	21	0	42	63
FISH AND WILDLIFE AND PARKS	20	6	98	124
LAND AND MINERALS	23	9	7	39
WATER AND SCIENCE	20	46	11	77
TERRITORIAL AND INTERNATIONAL AFFAIRS	1	-	-	1
TERRITORIAL GOVERNMENTS	24	-	-	24
	113	63	163	339
INDIRECT COST RATES NEGOTIATED				
STATE AGENCIES	73	-	-	73
INDIAN TRIBES AND ORGANIZATIONS	64	-	-	64
	137	-	-	137
TOTAL	250	63	163	476

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1985

DEPARTMENT/OFFICE OF SECRETARY	18	10	8	36
BUREAU OF INDIAN AFFAIRS	51	1	74	126
FISH AND WILDLIFE AND PARKS	27	14	175	216
LAND AND MINERALS	40	28	15	83
WATER AND SCIENCE	28	105	23	156
TERRITORIAL AND INTERNATIONAL AFFAIRS	1	-	-	1
TERRITORIAL GOVERNMENTS	57	-	4	61
OTHER FEDERAL AGENCIES	-	-	-	-
	222	158	299	679
INDIRECT COST RATES NEGOTIATED				
STATE AGENCIES	125	-	-	125
INDIAN TRIBES AND ORGANIZATIONS	140	-	-	140
	265	-	-	265
TOTAL	487	158	299	944

*STATE AUDITORS OR INDEPENDENT PUBLIC ACCOUNTANTS

NOTE: EXHIBITS B THROUGH H DO NOT INCLUDE CONTRACT AND GRANT AUDITS PERFORMED BY OTHER FEDERAL AGENCIES OR NON-FEDERAL AUDITORS OR INDIRECT COST PROPOSALS NEGOTIATED BY OIG.

EXHIBIT B

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

DEPARTMENT/OFFICE OF THE SECRETARY

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
USE OF SAFETY BELTS IN MOTOR VEHICLES (E-MO-MOA-16-85 B)	85-06-06
SOLICITOR'S OFFICE ORGANIZATIONAL STRUCTURE, INTERIM REPORT (INSPECTIONS) (E-OS-OSS-07-85 A)	85-06-12
CASH MANAGEMENT, COLLBRAN JOB CORPS CIVILIAN CONSERVATION CENTER (C-OS-OSS-11-85)	85-08-09
NONCOMPETITIVE PROCUREMENT, BRANCH OF PROCUREMENT MANAGEMENT (E-OS-OSS-12-85)	85-09-13

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT C

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

BUREAU OF INDIAN AFFAIRS

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
SELECTED ACTIVITIES OF THE ALAMO NAVAJO SCHOOL BOARD (C-IA-BIA-19-85)	85-04-09
PROCUREMENT ACTIVITIES, JUNEAU AREA OFFICE (W-IA-BIA-28-84)	85-05-21
PROCUREMENT ACTIVITIES, CONTRACTING AND GRANTS ADMINISTRATION, WASH., DC (E-IA-BIA-26-84)	85-06-18
QUESTIONABLE ASPECTS CONCERNING CERTAIN SMALL PURCHASE TRANSACTIONS (W-IA-BIA-24-85 B)	85-07-11
SMALL PURCHASE ACTIVITIES, PHOENIX AREA OFFICE (W-IA-BIA-24-85)	85-07-12
INDIVIDUAL INDIAN MONEYS ADMINISTERED BY BIA--CONCHO (C-IA-BIA-22-84 B)	85-07-17
PROCUREMENT ACTIVITIES, PORTLAND AREA OFFICE (W-IA-BIA-29-84)	85-07-17
INDIVIDUAL INDIAN MONEYS ADMINISTERED BY BIA--PAWNEE (C-IA-BIA-23-84 B)	85-07-30
SPECIAL HIGHER EDUCATION PROGRAM (W-IA-BIA-41-84)	85-07-30
CONTRACTS AND GRANTS, LOWER ELWHA TRIBE (W-IA-BIA-10-85)	85-08-15
CONTRACTS WITH THE CROW CREEK SIOUX TRIBE 1983 AND 1984 (C-IA-BIA-08-84)	85-09-02
INDIVIDUAL INDIAN MONEY ACCOUNTS ADMINISTERED BY BIA--OSAGE AGENCY (C-IA-BIA-22-84 A)	85-09-12
PROCUREMENT ACTIVITIES, ANADARKO AREA OFFICE (C-IA-BIA-33-84)	85-09-17
SELECTED FINANCIAL MANAGEMENT OPERATIONS RELATED TO BIA CONTRACTS AND GRANTS AWARDED TO ASSINIBOINE AND SIOUX TRIBES (W-IA-BIA-15-84)	85-09-27
FOLLOWUP REVIEW, REALTY OPERATIONS, FORT BERTHOLD AGENCY (C-IA-BIA-48-84 A)	85-09-27
ADMINISTRATIVE SYSTEMS AND SELECTED BIA CONTRACTS AND GRANTS OPERATED BY WINNEBAGO TRIBE OF NEBRASKA (C-IA-BIA-09-84)	85-09-27
CONSERVATION OF CROW INDIAN LANDS (C-IA-BIA-47-84 B)	85-09-30

EXHIBIT C

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

BUREAU OF INDIAN AFFAIRS (CONT.)

CONTRACT AUDITS 1/		ISSUE DATE
PORTLAND AREA OFFICE REESTABLISHMENT	W-FC-PO-BIA-009 85	85-04-01
AK-CHIN INDIAN TRIBE	W-FC-PH-BIA-004 85	85-06-19
GRANT AUDITS 1/		
FT. BIDWELL TRIBE	W-GR-SA-BIA-001 85	85-06-11
OTHER AUDITS 1/		
LONEMAN SCHOOL DOE TITLE IV	C-SP-SD-BIA-008 85	85-05-21

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT D

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

FISH AND WILDLIFE AND PARKS

U.S. FISH AND WILDLIFE SERVICE

INTERNAL AND SPECIAL PURPOSE AUDITS 1/		ISSUE DATE
ACQUISITION AND USE OF MICROCOMPUTERS (E-FW-FWS-09-84)		85-04-11
CONFLICT OF INTEREST PROGRAM (E-FW-FWS-12-85)		85-04-11

CONTRACT AUDITS 1/		
ISAACS CONSTRUCTION	W-CC-MT-FWS-006 85	85-07-19
THE PEREGRINE FUND, INC.	W-FC-ID-FWS-002 85	85-09-20

NATIONAL PARK SERVICE

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
SELECTED ADMINISTRATIVE ACTIVITIES WITHIN WESTERN REGION (W-FW-NPS-09-84)	85-05-02
PROCUREMENT ACTIVITIES -- HARPERS FERRY CENTER (E-FW-NPS-11-85)	85-06-04
NARBONNE HALE HOUSE AT SALEM MARITIME NATIONAL HISTORIC SITE (E-FW-NPS-10-85 A)	85-06-07
REVIEW OF INTERNAL AND MANAGEMENT CONTROLS OVER LIBRARY AND MUSEUM COLLECTIONS OF THE GOLDEN GATE NRA (W-FW-NPS-21-84)	85-06-27
NONCOMPETITIVE PROCUREMENT, NORTH CAPITAL REGION, NORTH ATLANTIC REGION AND WASHINGTON OFFICE (E-FW-NPS-16-85)	85-08-06
INSPECTION OF SELECTED ACTIVITIES AT THE BOSTON NATIONAL HISTORICAL PARK (E-MO-MOA-16-85 C)	85-09-03

PREAWARD AUDITS 1/		
EARL R FLANSBURGH AND ASSOCIATES	E-CP-MA-NPS-005 85	85-04-19

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EXHIBIT D

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

FISH AND WILDLIFE AND PARKS

NATIONAL PARK SERVICE (CONT.)

CONTRACT AUDITS 1/		ISSUE DATE
STUDENT CONSERVATION ASSOCIATION, INC.	E-FC-NH-NPS-008 85	85-05-31
PROMOTION PRODUCTS, INC.	W-FC-OR-NPS-007 85	85-06-26
NEW WORLD RESEARCH, INC.	C-IC-LA-NPS-004 85	85-07-09
AMFAC HOTELS & RESORTS, INC.	W-FC-AZ-NPS-011 85	85-07-26
YOSEMITE MEDICAL GROUP	W-FC-CA-NPS-018 85	85-08-07
YOSEMITE PARK AND CURRY COMPANY	W-FC-CA-NPS-017 85	85-09-26
GRANT AUDITS 1/		
WV DEPT OF CULTURE & HISTORY	E-GR-WV-NPS-001 85B	85-05-16
EAST ST LOUIS	E-GR-IL-NPS-037 85	85-08-16
OTHER AUDITS 1/		
PRISM CONSTRUCTION CO.	E-OH-VA-NPS-009 85	85-07-26

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT E

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

LAND AND MINERALS MANAGEMENT

BUREAU OF LAND MANAGEMENT

INTERNAL AND SPECIAL PURPOSE AUDITS 1/		ISSUE DATE
REVIEW OF AUDIT REPORT PREPARED BY PEAT, MARWICK, MITCHELL AND CO. ON CHEVRONS INVESTMENT IN CANCELLED COAL PERMIT (W-LM-BLM-17-85)		85-04-08
REVIEW OF BLM ROAD MAINTENANCE PROGRAM (W-LW-BLM-07-84)		85-07-29

PREAWARD AUDITS 1/		
CLARK MILLS & SON	C-CP-NE-BLM-010 85	85-07-29

CONTRACT AUDITS 1/		
TERRADATA/TERRASCIENCES, INC.	W-FC-CA-BLM-005 85	85-04-16
GREAT BASIN GEM JOINT VENTURE	W-FC-NV-BLM-003 85	85-06-20
GEOEXPLORERS INTERNATIONAL, INC.	C-FC-CO-BLM-004 85	85-07-09

MINERALS MANAGEMENT SERVICE

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	
ADP SECURITY PROGRAM MANAGEMENT DIVISION, MINERALS MANAGEMENT SERVICE (E-EM-MMS-08-84)	85-04-23
TRANSCO EXPLORATION COMPANY (E-LA-TX-MMS-02 84)	85-04-30
MONSANTO OIL COMPANY (E-LA-TX-MMS-01 84)	85-04-30
CONVERSION OF THE CASPER, WYOMING STATION (C-EM-MMS-09-84 E)	85-05-08
NGLP PRICING FROM FEDERAL LEASES OPERATED BY TENNECO AND PROCESSED BY YSCLOSKEY (C-EM-MMS-25-83 D)	85-06-14

EXHIBIT E

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

LAND AND MINERALS MANAGEMENT (CONT.)

MINERALS MANAGEMENT SERVICE (CONT.)

INTERNAL AND SPECIAL PURPOSE AUDITS (CONT.) 1/	ISSUE DATE
ROYALTIES PAID BY NORTH TERREBONNE PROCESSING PLANT (C-EM-MMS-12-84 D)	85-06-26
ROYALTIES PAID BY FEDERAL OCS LEASES YSCLOSKEY (C-EM-MMS-25-83)	85-06-26
REVIEW OF CONTRACT ADMINISTRATION OVER INTERNATIONAL BUSINESS SERVICES, INC. (C-LM-MMS-08-85 B)	85-06-27
REVIEW OF BILLABLE EXCEPTION PROCESSING (C-LM-MMS-08-85 H)	85-06-28
BLM'S OPERATIONS THAT IMPACT BRASS (C-LM-MMS-08-85 D1)	85-08-02
ROYALTY ACCOUNTING SYSTEM LEASE ACCOUNT RECONCILIATIONS (C-LM-MMS-08-85 A)	85-08-06
CONTRACT MANAGEMENT ACTIVITIES AWARDED TO AMERICAN MANAGEMENT SYSTEMS, INC. (C-LM-MMS-08-85 C)	85-08-07
NONCOMPETITIVE PROCUREMENT, BRANCH OF PROCUREMENT, HERNDON, VIRGINIA (E-LM-MMS-15-85)	85-08-21
ROYALTIES PAID BY ATLANTIC RICHFIELD COMPANY (C-EM-MMS-36-83)	85-08-26
ROYALTIES PAID BY CITIES SERVICE (C-EM-MMS-35-83)	85-09-18
WPT ASSESSMENTS FOR STATION 21 (C-EM-MMS-08-85 F)	85-09-26

GRANT AUDITS 1/		
NEW MEXICO ENERGY & MINERALS DEPT.	C-GR-NM-OSM-009 85	85-09-26

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT F

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

WATER AND SCIENCE

BUREAU OF MINES

INTERNAL AND SPECIAL PURPOSE AUDITS 1/		ISSUE DATE
SELECTED ADP ACTIVITIES IN THE MINERALS AND MATERIALS RESEARCH PROGRAM (E-MO-MOA-16-85 D)		85-09-27

BUREAU OF RECLAMATION

INTERNAL AND SPECIAL PURPOSE AUDITS 1/		
OMB CIRCULAR A-76 IMPLEMENTATION, SELECTED ASPECTS (W-LW-BOR-10-84)		85-06-12

PREAWARD AUDITS 1/		
SANTA FE RAILWAY COMPANY	C-CP-TX-BOR-011 85	85-06-20
PAPAGO TRIBE OF ARIZONA	W-CP-AZ-BOR-020 85	85-06-21

CONTRACT AUDITS 1/		
ELECTRONIC TECHNIQUES, INC.	C-FC-CO-BOR-025 85	85-04-25
UNDERGROUND CONSTRUCTION COMPANY, INC.	W-CC-CA-BOR-010 85	85-05-23
GERALD MILLER CONSTRUCTION	W-FC-CA-BOR-039 84	85-05-24
BALL, BALL & BROSAMER & BALL & BROSAMER/JV	W-CC-CA-BOR-027 85	85-06-10
MIDWEST CONSTRUCTION COMPANY	C-IC-NE-BOR-009 85	85-06-21
SARDIS CONTRACTORS/WILLIAMS & SONS CTRS	C-CC-OK-BOR-012 85	85-06-28
REDONDO ELECTRIC	W-CC-CA-BOR-032 85	85-07-03
SLETTEN CONSTRUCTION	W-CC-MT-BOR-039 85	85-07-10
INDUSTRIAL CONSTRUCTORS CORPORATION	W-CC-MT-BOR-034 85	85-07-11
ATMOSPHERICS, INC.	W-FC-CA-BOR-026 85	85-07-25
CLATERBOS, INC.	C-CC-OK-BOR-023 85	85-08-09
SPINIELLO CONSTRUCTION COMPANY	E-CC-NJ-BOR-008 85	85-08-16

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EXHIBIT F

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

WATER AND SCIENCE (CONT.)

BUREAU OF RECLAMATION (CONT.)

CONTRACT AUDITS (CONT.) 1/		ISSUE DATE
HARRISON WESTERN CORPORATION	C-CC-CO-BOR-005 85	85-09-24

U. S. GEOLOGICAL SURVEY

INTERNAL AND SPECIAL PURPOSE AUDITS 1/

ADP SECURITY AT THE RESTON ADP CENTER, U.S. GEOLOGICAL SURVEY (E-WS-GSV-13-85 A)	85-05-13
NONCOMPETITIVE PROCUREMENT, BRANCH OF PROCUREMENT RESTON, VIRGINIA (E-WS-GSV-14-85)	85-06-17

PREAWARD AUDITS 1/

ROLM TELECOMMUNICATIONS	E-CP-VA-GSV-041 85	85-08-21

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT G

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

TERRITORIAL AND INTERNATIONAL AFFAIRS

GRANT AUDIT 1/		ISSUE DATE
RESETTLEMENT OF BIKINI ISLANDS	G-GR-MR-OTT-001-85	85-06-25

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

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EXHIBIT H

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

TERRITORIAL GOVERNMENTS

AMERICAN SAMOA

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
INTERNAL CONTROLS AT THE DEVELOPMENT BANK (S-TG-AMS-20-85)	85-06-18
ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR 1983 (S-TG-AMS-07-84)	85-09-30

VIRGIN ISLANDS

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
BILLING AND COLLECTION PROCEDURES FOR POTABLE WATER (V-TG-VIS-09-84)	85-05-01
ARCHITECTUAL/ENGINEERING SERVICES FOR JUVENILE JUSTICE CENTERS (V-TG-VIS-27-85)	85-05-03
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE GOVERNMENT OF THE VIRGIN ISLANDS, ST. THOMAS (V-TG-VIS-18-84)	85-07-12
INTERNAL REVENUE MATCHING FUND (V-TG-VIS-15-85)	85-08-19
EMPLOYEES RETIREMENT SYSTEM (V-TG-VIS-24-84)	85-09-04
LEASE TO WATER ISLAND (V-TG-VIS-28-85)	85-09-05
INDUSTRIAL DEVELOPMENT PROGRAM (V-TG-VIS-19-85)	85-09-27

GUAM

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
POSSIBLE UNDERSTATEMENT OF INCOME TAX (N-TG-GUA-06-85 B)	85-04-02

EXHIBIT H

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD
FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

TERRITORIAL GOVERNMENTS (CONT.)

GUAM (CONT.)

INTERNAL AND SPECIAL PURPOSE AUDITS (CONT.) 1/	ISSUE DATE
SELECTED PROCUREMENT ACTIONS OF THE GUAM DEPT OF PUBLIC WORKS AND THE GENERAL SERVICES AGENCY (N-TG-GUA-06-85 C)	85-04-08
TIMEWISE LIMITED WATCH QUOTA (N-TG-GUA-06-85 A)	85-04-15
WINDMILL PROPOSAL (N-TG-GUA-29-85)	85-04-19
GUAM RETIREMENT FUND'S $5 MILLION LOAN TO GUAM HOUSING CORPORATION (N-TG-GUA-28-85)	85-05-13
PUBLIC UTILITY PROCUREMENT ACTIVITIES, CONTRACTING OPERATIONS (N-TG-GUA-09-84)	85-06-10
COORDINATION OF GUAM AND UNITED STATES INDIVIDUAL INCOME TAXES (N-TG-GUA-23-83)	85-09-16
ASSESSMENT AND COLLECTION PROCEDURES, REAL PROPERTY TAX DIVISION, DEPARTMENT OF REVENUE AND TAXATION (N-TG-GUA-16-84)	85-09-18
FINANCIAL ACTIVITIES OF GUAM VISITORS BUREAU (N-TG-GUA-21-84)	85-09-30

PREAWARD AUDITS 1/		
GOVERNMENT OF GUAM	N-CP-GU-GUA-002 85	85-04-23

NORTHERN MARIANA ISLANDS

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
PROCUREMENT ACTIVITIES OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (N-TG-NMI-09-84)	85-06-10
NMI TRANSFER OF $3 MILLION OF ECONOMIC DEVELOPMENT LOAN FUND MONIES (N-TG-NMI-06-85 A)	85-09-17

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EXHIBIT H

AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD FROM APRIL 1, 1985 TO SEPTEMBER 30, 1985

TERRITORIAL GOVERNMENTS (CONT.)

MARSHALL ISLANDS

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
PROCUREMENT ACTIVITIES, REPUBLIC OF THE MARSHALL ISLANDS (N-TG-MAR-09-84)	85-09-05

FEDERATED STATES OF MICRONESIA

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
PROCUREMENT ACTIVITIES, FEDERATED STATES OF MICRONESIA (N-TG-FSM-09-84)	85-05-23

TRUST TERRITORY FOR THE PACIFIC ISLANDS

INTERNAL AND SPECIAL PURPOSE AUDITS 1/	ISSUE DATE
DISTRIBUTION OF TTPI ECONOMIC DEVELOPMENT LOAN FUND (N-TG-TTP-09-84)	85-09-30

1/ AUDITS PERFORMED BY THE OFFICE OF INSPECTOR GENERAL

EXHIBIT I

SUMMARY OF EXTERNAL AUDIT REPORTS
PREAWARDS, CONTRACTS, GRANTS, SINGLE AUDITS AND OTHER
FOR THE 6-MONTH PERIOD APRIL 1, 1985, TO SEPTEMBER 30, 1985

	NO. OF REPORTS	AMOUNT AUDITED	COST EXCEPTIONS AMOUNT	COST EXCEPTIONS PERCENT
EPARTMENT/OFFICE OF SECRETARY	7	$ 14,651,195	$ 3 ,595	21.5
NDIAN AFFAIRS	46	$ 70,966,702	$ 968,834	1.4
ISH AND WILDLIFE SERVICE	21	$114,659,089	$ 99,134	0.1
ATIONAL PARK SERVICE	95	113,223,800	3,583,811	3.2
TOTAL FISH, WILDLIFE & PARKS	116	$227,882,889	$ 3,682,945	1.6
UREAU OF LAND MANAGEMENT	9	$ 5,155,617	$ 282,028	5.5
INERALS MANAGEMENT SERVICE	6	2,304,443	1,193,537	51.8
FFICE OF SURFACE MINING	6	6,613,491	1,036,340	15.7
TOTAL LAND AND MINERALS MANAGEMENT	21	$ 14,073,551	$ 2,511,905	17.8
UREAU OF MINES	20	$ 57,674,930	$ 3,552,48	6.2
UREAU OF RECLAMATION	30	36,563,853	13,485,237	36.9
EOLOGICAL SURVEY	23	54,125,115	18,693,655	34.5
TOTAL WATER AND SCIENCES	73	$148,363,898	$35,731,374	24.1
ERRITORIAL AND INTERNATIONAL AFFAIRS	1	$ 544,737	$ 244,174	44.8
MERICAN SAMOA	-	-	-	-
IRGIN ISLANDS	-	-	-	-
AM	1	-	-	-
ORTHERN MARIANA ISLANDS	-	-	-	-
ARSHALL ISLANDS	-	-	-	-
ALAU	-	-	-	-
EDERATED STATES OF MICRONESIA	-	-	-	-
RUST TERRITORIES - PACIFIC ISLANDS	-	-	-	-
TOTAL TERRITORIAL GOVERNMENT	1	-	-	-
HER FEDERAL AGENCIES	-	-	-	-
TALS	265	$476,482,972	$46,288,827	9.7

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EXHIBIT I

SUMMARY OF EXTERNAL AUDIT REPORTS
PREAWARDS, CONTRACTS, GRANTS, SINGLE AUDITS AND OTHER
FOR PERIOD FROM OCTOBER 1, 1984, TO SEPTEMBER 30, 1985

	NO. OF REPORTS	AMOUNT AUDITED	COST EXCEPTIONS AMOUNT	COST EXCEPTIONS PERCENT
DEPARTMENT/OFFICE OF SECRETARY	19	$ 28,142,960	$ 4,862,463	17.3
INDIAN AFFAIRS	90	$104,662,552	$ 2,130,074	2.0
FISH AND WILDLIFE SERVICE	38	$212,465,773	$ 1,461,876	.7
NATIONAL PARK SERVICE	166	267,550,913	9,730,753	3.6
TOTAL FISH, WILDLIFE & PARKS	204	$480,016,686	$11,192,629	2.3
BUREAU OF LAND MANAGEMENT	19	$ 9,467,886	$ 319,194	3.4
MINERALS MANAGEMENT SERVICE	18	5,616,523	1,286,484	22.9
OFFICE OF SURFACE MINING	16	17,844,260	1,099,413	6.2
TOTAL LAND AND MINERALS MANAGEMENT	53	$ 32,928,669	$ 2,705,091	8.2
BUREAU OF MINES	39	$ 85,886,791	$ 5,162,891	6.0
BUREAU OF RECLAMATION	53	49,240,783	15,294,364	31.1
GEOLOGICAL SURVEY	57	109,836,035	851,172	.8
TOTAL WATER AND SCIENCE	149	$244,963,609	$21,308,427	8.7
TERRITORIAL AND INTERNATIONAL AFFAIRS	1	$ 544,737	$ 244,174	44.8
AMERICAN SAMOA	-	-	-	-
VIRGIN ISLANDS	-	-	-	-
GUAM	4	-	-	-
NORTHERN MARIANA ISLANDS	1	-	-	-
MARSHALL ISLANDS	-	-	-	-
PALAU	-	-	-	-
FEDERATED STATES OF MICRONESIA	-	-	-	-
TRUST TERRITORIES - PACIFIC	-	-	-	-
TOTAL TERRITORIAL GOVERNMENT	5	-	-	-
OTHER FEDERAL AGENCIES	-	-	-	-
TOTALS	521	$891,259,213	$42,442,858	4.8

GLOSSARY OF ABBREVIATIONS

ASG	American Samoa Government
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOM	Bureau of Mines
BOR	Bureau of Reclamation
BPA	Blanket Purchase Agreement
DOI	Department of the Interior
FY	Fiscal Year
FWS	Fish and Wildlife Service
GAO	General Accounting Office
GRT	Gross Receipts Tax
GS/USGS	Geological Survey
IIM	Individual Indian Monies
MMS	Minerals Management Service
NPS	National Park Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSM	Office of Surface Mining Reclamation and Enforcement
OSS	Office of the Secretary
PBA	Assistant Secretary, Policy, Budget and Administration
RMP	Royalty Management Program
SIMO	Simultaneous Oil and Gas Leasing Program
TIA	Office of Territorial and International and Affairs

GLOSSARY OF TECHNICAL TERMS

ABUSE - Administrative violations of department, agency or program regulations which impair the effective and efficient execution of programs. These violations may result in losses or in denial or reduction in lawfully authorized benefits to participants.

COST EXCEPTIONS - Relate to external audit reports and are defined as follows for various types of reports:

Preaward Audits. Questioned costs represent those items that OIG recommends the Bureau not accept at negotiations. Unsupported costs represent those items for which supporting documentation is lacking at the time of audit.

Contract Audits. Disallowed costs are those items that OIG is telling the contracting officer that he cannot pay in accordance with regulations. Questioned costs are those items that OIG indicates are subject to the contracting officer's administrative determination or for which supporting documentation is lacking at the time of audit.

Grant Audits. Recommended cost adjustments are those items that OIG is advising the cognizant agency official that he should not pay. Unsupported costs are those items for which supporting documentation is lacking at the time of audit.

EXTERNAL AUDITS - Evaluations of non-departmental entities, such as contractors, concessioners, and grantees to determine whether cost representations are proper and that Federal funds are being effectively applied. Also includes audits of revenue producing activities, such as mineral leasing, timber sales, and other sources of income generated from public lands.

FRAUD - The intentional wrongful obtaining of either money or some other advantage or benefit from government programs. Fraud embraces theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and simular devices.

FUNCTIONS - Activities such as accounting, budgeting, procurement, property management and payroll, which cross program lines.

INDIRECT COST PROPOSAL - A written presentation made by organizations that receive Federal grants and contracts which shows how their indirect cost rate was computed. The responsibility for audit and negotiation of these proposals is assigned by OMB.

INTERIM AND FINAL COST AUDITS - A review and evaluation conducted to determine the reasonableness and allowability of costs claimed for reimbursement under grants and contracts with the Federal government.

INTERNAL AUDITS - Audits of the management of programs, offices and operations within the Department of the Interior and the territorial governments.

ORGANIZATIONAL ENTITIES - The major sites of the department and territorial governments and individual segments that are subject to audit as management units.

PREAWARD AUDIT - A review and evaluation conducted to determine that the costs proposed by a prospective contractor are supported by current cost and pricing data.

PROGRAMS - The various missions and goals of individual bureaus or territorial governments relating to activities, such as coal leasing, water projects, animal damage control, and others.

PUBLIC LAW 93-638 - The Indian Self-Determination and Education Assistance Act.

SIMULTANEOUS OIL AND GAS FILING - An applicant's offer to lease a unit of land by participating in a drawing to determine the successful applicant.

SINGLE-AUDIT ACTIVITY - An organizationwide audit in accordance with OMB Circular A-128 on the financial operations of a state's departments, local government units, or Indian tribes that receive Federal funds from more than one Federal agency.

WASTE - Incurring unnecessary costs as a result of ineffective practices, systems or controls.